

# EAST ASIAN INDUSTRIAL POLICY: IMPLICATIONS FOR TAJIKISTAN IN THE WORLD TRADE ORGANIZATION ERA

by

MIRAMONOV Farrukh, Mirhakimovich

September 2014

Thesis Presented to the Higher Degree Committee

of Ritsumeikan Asia Pacific University

in Partial Fulfillment of the Requirements for the Degree of

Master of Science in International Cooperation Policy

## **Declaration**

I, MIRAMONOV Farrukh, Mirhakimovich, graduate student of the Ritsumeikan Asia Pacific University hereby declare that the whole master thesis being submitted is a result of my own independent academic work accomplished under supervision of Prof. NATSUDA Kaoru, PhD. I also hereby certify that this thesis has not been yet presented at any academic settings for the award of degrees. Literature and information that I used in this thesis have been acknowledged in proper manner of referencing.

## **Acknowledgments**

First of all, I would like to express my sincere and everlasting gratitude to my supervisor Professor NATSUDA Kaoru, PhD for his valuable academic advices and contributions made throughout the course of this research. I am thankful to him and personally name his commitments as the process of “constructing the bridge” between the world of social science and myself. I do hope that this is just a beginning of our academic collaboration.

I would also like to express my thankfulness to the people of Japan in the face of JICA and JICE, to the Government of the Republic of Tajikistan and the Ministry of Economic Development and Trade of the Republic of Tajikistan for the given opportunity to pursue my Master Degree at one of the internationally honored universities under the Human Resource Development Scholarship program.

It is wonderful opportunity to extend my sincere appreciation to all APU staff and my colleagues, especially Mr. Sayed Nasrat and Mr. Parviz NOROV for their technical, social and academic assistance, which enabled me to overcome the challenges faced throughout this study.

At last but not least, I am grateful to my family members for their adherence and constant encouragement without which accomplishment of this paper would be impossible.

## Table of Contents

<b>Acknowledgments .....</b>	<b>i</b>
<b>Table of Contents .....</b>	<b>ii</b>
<b>List of Abbreviations .....</b>	<b>iv</b>
<b>List of Tables .....</b>	<b>vi</b>
<b>List of Figures.....</b>	<b>vii</b>
<b>Abstract.....</b>	<b>viii</b>
<b>CHAPTER ONE: INTRODUCTION.....</b>	<b>1</b>
<i>1.1 Background of the Study .....</i>	<i>1</i>
<i>1.2 Problem of the Study .....</i>	<i>4</i>
<i>1.3 Objectives of the Study.....</i>	<i>5</i>
<i>1.4 Research Questions.....</i>	<i>5</i>
<i>1.5 Significance of the Study.....</i>	<i>6</i>
<i>1.6 Methodology .....</i>	<i>6</i>
<i>1.7 Scope and Limitations of the Study.....</i>	<i>7</i>
<i>1.8 Outline of the Thesis .....</i>	<i>8</i>
<b>CHAPTER TWO: THE EAST ASIAN INDUSTRIAL DEVELOPMENT .....</b>	<b>9</b>
<i>2.1 Neoclassical Theory.....</i>	<i>9</i>
<i>2.2 Developmental State Theory .....</i>	<i>13</i>
<i>2.3 State-business Interdependence Theory.....</i>	<i>18</i>
<b>CHAPTER THREE: HOW THE WORLD HAS CHANGED WITH THE EMERGENCE OF THE WORLD TRADE ORGANIZATION? .....</b>	<b>23</b>
<i>3.1 Evolvment of the Washington Consensus.....</i>	<i>23</i>
<i>3.2 Emergence of the World Trade Organization: is there any space for industrial development? .....</i>	<i>27</i>
<i>3.3 What are the Development Options for Developing Countries Left Beyond the WTO Regime? .....</i>	<i>33</i>

<b>CHAPTER FOUR: ECONOMIC AND INDUSTRIAL STATE OF</b>	
<b>TAJIKISTAN .....</b>	<b>36</b>
4.1 <i>Country Context</i> .....	36
4.2 <i>Macroeconomic Stability</i> .....	39
4.3 <i>Tajikistan Industry</i> .....	43
4.3.1 Industrial location in the country and its structural changes during the independence.....	45
4.3.2 Challenges of the Tajikistan industry.....	47
4.4 <i>Tajikistan's industrial policy: in search of similarities with the HPAEs ....</i>	48
4.4.1 What Tajikistan's political economy looks like? (Perspectives of the Neoclassical and Revisionist theories).....	55
<b>CHAPTER FIVE: TAJIKISTAN's INTEGRATION TO THE WTO:</b>	
<b>INDUSTRY RELATED REFORMS .....</b>	<b>61</b>
5.1 <i>TRIMs and GATS</i> .....	61
5.2 <i>SCMs</i> .....	64
5.3 <i>TRIPs</i> .....	66
5.4 <i>Emulations of the HPAEs' Industrial Policies for Tajikistan: possible or impossible? .....</i>	67
<b>CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS .....</b>	<b>71</b>
6.1 <i>Conclusion</i> .....	71
6.2 <i>Recommendations</i> .....	77
6.3 <i>Further Studies</i> .....	79
<b>REFERENCES.....</b>	<b>80</b>
<b>APPENDICES.....</b>	<b>90</b>

## **List of Abbreviations**

ASUPRT	Agency on Statistics under the President of the Republic of Tajikistan
BoP	Balance of Payment
CIS	Commonwealth of Independent States
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
GATS	General Agreement on Trade in Services
GBAO	Gorno-Badakhshan Autonomous Region
GDP	Gross Domestic Product
GoT	Government of the Republic of Tajikistan
GNI	Gross National Income
IFI	International Financial Institutions
IMF	International Monetary Fund
IPRs	Intellectual Property Rights
ISI	Import-substituting Industrialization
LSIST	Living Standard Improvement Strategy of Tajikistan
MEDT	Ministry of Economic Development and Trade of the Republic of Tajikistan
MFN	Most Favored Nation
MFRT	Ministry of Finance of the Republic of Tajikistan
NBT	National Bank of Tajikistan
NDG	National Development Strategy of the Republic of Tajikistan for the period to 2015

PDERT	Program of the Development of Export of the Republic of Tajikistan for the period of until 2015
RRS	Regions of Republican Subordination
R&D	Research and Development
RT	Republic of Tajikistan
SCIMSP	State Committee on Investment and Management of the State Property
SCMS	Agreement on Subsidies and Countervailing Measures
TRIMs	Agreement on Trade – Related Investment Measures
TRIPs	Trade Related Aspects of Intellectual Property Rights
TJS	Currency of the Republic of Tajikistan, 1 TJS = 0.208 USD (as of March 28, 2014)
UNCTAD	United Nations Conference on Trade and Development
UNCITRAL	United Nations Commission on International Trade Law
UNDP	United Nations Development Program
UNFPA	United Nations Population Fund
USSR	Union of Soviet Socialist Republics
VAT	Value Add Tax
WC	Washington Consensus
WDI	World Development Indicators
WTO	World Trade Organization

## List of Tables

Table 3.1 <i>The Augmented Washington Consensus</i> .....	25
Table 3.2 <i>Four modes of service supply</i> .....	31
Table 4.1 <i>Tajikistan's foreign trade turnover (current USD, billion)</i> .....	41
Table 4.2 <i>Average percentage of the GDP growth (breakdown by sectors) of the four Central Asian states for the period of 1990-2000 (I) and 2000-2010 (II)</i> .....	42
Table 4.3 <i>Structural development of the Tajikistan's economy 2000-2012 (value added % of GDP)</i> .....	42
Table 4.4 <i>Shares of individual territories of Tajikistan on the main industrial indicators (%)</i> .....	45
Table 4.5 <i>The rate of structural transformation of Tajikistan's industry (2005-2010, %)</i> .....	47



## List of Figures

Figure 4.1 <i>Top ten recipients of migrant remittances as share of GDP.....</i>	37
Figure 4.2 <i>Tajikistan migrant remittances as percenage of GDP .....</i>	38
Figure 4.3 <i>GDP changes in the CIS countries .....</i>	39
Figure 4.4 <i>Tajikistan 's GDP growth rate .....</i>	40
Figure 4.5 <i>The proportion of nongovernmental industrial sector in Tajikistan.....</i>	50

## Abstract

Industry plays a vital role in Tajikistan's economic development. However, the long lasting transition from centrally planned economy to market based economy in the 1990s caused the country's advanced industry to descend into deindustrialization. The membership to the World Trade Organization (WTO) makes the situation even more complex for policy makers, as its regulations are reluctant to the use of industrial policies.

The main objective of this study is to examine the causes of industrial prosperity in post war Japan and the "Four Asian Tigers", as well as to derive some lessons for Tajikistan's industry from their experiences. Bearing this in mind, this study synthesizes three argumentative theories *per se* including Neoclassical, Statist and Institutional, which offer differing interpretations of formers' industrial success. To do this, the researcher employed a qualitative research method by conducting multiple case studies of Japan's and the "Four Asian Tigers" industrial experiences and Tajikistan's industry while taking into account the WTO's regulations.

The study found that the emergence of the "Washington Consensus" and its augmentation, the triumph of the WTO over the General Agreement on Tariffs and Trade (GATT) and the Asian Financial Crisis of 1997 swept away the applicability of *dirigisme* and embedded autonomy to the East Asian success, but made the idea of *laissez faire* market more robust. Furthermore, the study has also revealed that Tajikistan's political economy neither belongs to the analyzed

theories' interpretations on the HPAEs's but rather a mix of those interpretations and even beyond.

Therefore, to make its objectives and reality meet at certain point, this study takes into consideration the prescriptions of the WTO's industry related agreements, such as "Agreement on Trade Related Aspects of Intellectual Property Rights" (TRIPs), "Agreement on Trade Related Investment Measures" (TRIMs), "Agreement on Subsidies and Countervailing Measures" (SCMs) and "General Agreement on Trade in Services" (GATS). Hence, the study found that these agreements are the main causes of shrinking opportunity to employ industrial policies. The study concludes that although the space for maneuvering to employ industrial policies is narrowed down, it still exists, and that partial industrial development experience of the East Asian countries could be employed by Tajikistan.

*Keywords:* Industrial policy, East Asia, Tajikistan, WTO.

# CHAPTER ONE

## 1. INTRODUCTION

### *1.1 Background of the Study*

Over the second half of the twentieth century Japan and the so-called “Four Asian Tigers” (Hong-Kong, South Korea, Singapore and Taiwan) have been enjoying extraordinary industrial and economic performance, unlike those comparable states in Latin America and Africa. Particularly from the 1960s to 1980s, the economy of these high-performing Asian economies (hereafter - HPAEs) had been growing under 8 per cent annually. This deserved to be entitled “*The East Asian Miracle*”(World Bank, 1993; Wade, 2004). However, since the 1980s, the causes of the miracle *per se* the extent of the state’s activity in economic life of these countries became subject of debates between mainstream views in economics.

The Neoclassical economists claim that the HPAEs have followed the Anglo-American model of regulatory state where the market was unfettered and the state’s role was to adjust market’s failures. The Developmental States or so-called “Statists” question the Neoclassicals by stressing that there was a *dirigisme* (state’s control over the economy) in the HPAEs and the states were imposing industrial policies upon the business. The Institutionalists argue that there was an institutional harmonization between the state and private sector, which mostly

leaned upon active role played by the Deliberation Councils. These councils served as platforms where both sides could benefit through consultation and sharing of information (Thompson, 1998; Chang, 1999; Natsuda, 2009).

However, Weiss (2005) provides evidence that in the early 1990s the HPAEs reduced the state influence over the market by abolishing export subsidies, giving more emphasize on private sector and liberalizing financial sectors. By doing so, these ill-advised states had opened “Pandora’s Box”, or in a nutshell contributed to the “Asian Financial Crisis of 1997”. Meanwhile, the emergence of the World Trade Organization (WTO) in 1995 undermined “*The East Asian Miracle*”. In addition to these trends, Wade (2003) argues that currently the global economy is facing waves of regulations targeted at limiting the space for employing industrial policies particularly in developing countries.

Undoubtedly, developing countries like Tajikistan are not exceptions from Wade’s argument. Since the independence in 1991, alongside with the four Central Asian countries, Tajikistan embarked on transition of its economy from “centrally planned economy” to “market based economy”. Since it embarked reforms under the World Bank’s and the International Monetary Fund’s (IMF) programs, the country had shifted to the track of the neoclassical model of economic development. For instance, the Government of Tajikistan (GoT) went on privatization and liberalization of its trade and financial regimes, modified the existing customs tariffs regime in line with the WTO recommendations (IMF, 1999).

Nevertheless, apart from its neighboring countries Tajikistan had been facing severe political and economic crises. The civil conflict of the 1991-1997 led to the country's Gross Domestic Product (GDP) to drop by 3 folds (32.6 per cent) in 1997 from its level in 1989. This caused to consider Tajikistan as the worst economic performer in the region. Besides, if we look through the sectoral economic performance of the four Central Asian countries we would find that during the first decade since independence Tajikistan has been the most economically disadvantaged state in the region (World Bank, 2013a).

The country has a long history of industrialization. During the reign of the Bukhara Emirate in 1917 only two Tajiks per 10,000 had been involved in the small cotton processing industries. Yet subsequent engagement with the Union of Soviet Socialist Republics (USSR) had brought massive industrialization into Tajik economy, which in the early 1991 led Tajikistan to be recognized by the United Nations as an industrialized state (Khokhlov, 2002). Unfortunately, contemporary Tajik industry is considered as an underdeveloped and it is still situated in transformational crises heading towards deindustrialization. Industrial crisis reached its critical point in 1997 wherein, according to the Agency on Statistics Under the President of the Republic of Tajikistan (ASUPRT), the industrial output rate and the number of sector's employees respectively constituted 32.3 and 30.2 per cent of those of in 1991 (Khonaliev, 2009; ASUPRT, 2011).

## *1.2 Problem of the Study*

Khokhlov (2002) emphasized that industry in Tajik economy plays a vital role. He correlates the importance to develop industry in Tajikistan with several reasons including: limited agricultural lands; the country's mineral endowments; and high population growth rate (2.5 per cent annually).

According to the GoT (2004), the collapse of the USSR had left serious problems to Tajikistan's industry. Thereafter, the state had to define its own industrial development objectives using diametrically opposite methodologies to those of it used during the reign of the communist bloc. This was a chosen strategy of economic development based upon the neoclassical interpretation. Consequently, being cut off from socio-economically integrated system of the USSR and insufficient experience to perform well in recently established conditions, the country's once advanced industry descended into deindustrialization path.

As for the external challenges of Tajikistan's industry, the researcher is inclined to consider the subsequent membership of the WTO and alignment to its requirements. This raises issues, such as competitiveness amongst participants of foreign economic activities, and boosting domestic industrial output. Wade (2003) argues that the WTO's rules are very reluctant to the use of industrial policies; therefore, deriving viable implications from the HPAEs' practices for Tajikistan discloses some considerable impediments.

### *1.3 Objectives of the Study*

This study pursued the following objectives to:

- Identify causes of industrial and economic development in the HPAEs;
- Investigate what changes the WTO has brought into the world's political economy;
- Describe and analyze the current state of the economy as well as industry in Tajikistan;
- Find out the space for policy intervention in order to implement the HPAEs' industrial development experience in Tajikistan's economy.

### *1.4 Research Questions*

To attain its objectives this study answers the following main research questions:

- Why the HPAEs' economic out-performance gained the title of miracle?
- How the world of political economy has changed with the emergence of the WTO?
- What is the current economic and industrial situation in Tajikistan?
- How much space still exists beyond the WTO regulations in order to imply the HPAEs' industrial experience into Tajikistan's economy?



### *1.5 Significance of the Study*

There have been numerous studies focusing on the development of Tajikistan's industry. Nonetheless, despite the country has undertaken the neoclassical path of economic development, almost all of the Tajik scholars, such as Umarov and Muhabatov (2011) and Khonaliev (2009) in their industry related researches have emphasized the government as the main protagonist in economic life of the country.

Thus, there neither been researches conducted on the development opportunities of Tajikistan's industry within the WTO framework, nor on the implication of the HPAEs' industrial development experience into the country's economy. Therefore, this study contributes to the development of Tajikistan's industry through implication of the HPAEs' industrial development experience within the WTO framework.

The results of this study put the fundamentals for the upcoming studies, thus it suits to development policy undertaken by the government. It could be also suggested to help the decision-making process of the government officials from the Ministry of Economic Development and Trade, Ministry of Finance, Customs Service and National Bank of Tajikistan.

### *1.6 Methodology*

This study employed an explanatory case study research strategy (Yin, 2003). Therefore, it conducted multiple case studies of the HPAEs' industrial experience through analysis of the Neoclassical, Developmental State and

Institutionalist theories. After synthesis of these theories, it derived viable lessons for Tajikistan's industry within the WTO framework. The study used secondary data collected from different sources, such as government agencies of the Republic of Tajikistan, the World Bank, the IMF and the WTO online databases, the internet and academic publications. In addition, the researcher has interviewed Tajik government officials<sup>1</sup> for the purpose of determining the state's industrial policy and its trends.

### *1.7 Scope and Limitations of the Study*

This study would mainly focus on the causes of industrial success in Japan and the "Four Asian Tigers". Hopefully this understanding might provide some lessons for the development of Tajikistan's industry. To make it more realistic this study has taken into account the WTO's regulations in regards to the use of industrial policies. In view of the lack of research on Tajikistan's industrialization this study aims to provide better understanding of the state's role in the process of industrialization.

The main limitation of this study was the inability to conduct face-to-face interview with representatives of both private enterprises and the state-owned enterprises in Tajikistan. This could provide prime evidence of costs and benefits of the WTO membership from the practical point of view, hence, may improve the analytical part of the research.

---

<sup>1</sup> The interviews were conducted in the form of telephone and email discussions with staff of the Ministry of Economic Development and Trade of the Republic of Tajikistan, Ministry of Finance of the Republic of Tajikistan and National Bank of Tajikistan.

### *1.8 Outline of the Thesis*

The current chapter is a preview of the entire study and conveys the background information that identifies the topic, its significance and organization of this study. Chapter two identifies the causes of industrial and economic development in the HPAEs through analysis of the three argumentative theories. Chapter three provides chronic review of the neoclassical theory's prosperity, which reflects more on widespread of the "Washington Consensus" and emergence of the WTO *per se* changes it brought to the developing nations. Chapter four explores the current situation of Tajikistan's economy and its industry, and analyzes the similarities of both Tajikistan's and the HPAEs' state industrial policies. It also compares Tajikistan's political economy with those of the HPAEs' interpreted by the three theories. Chapter five analyzes the industrial standpoints of Tajikistan's integration to the WTO from the TRIMs, GATS, SCMs and TRIPs perspectives and searches the loophole in their regulations in order to implicate the HPAEs' industrial policies. The last chapter wraps up the study by making policy recommendations and suggestions for further studies.

## **CHAPTER TWO**

### **2. THE EAST ASIAN INDUSTRIAL DEVELOPMENT**

This chapter provides the reader with clear comprehension on the role played by the HPAEs' states in achieving their economic and industrial prosperity through comparison of the three controversial theories.

#### *2.1 Neoclassical Theory*

The neoclassical orthodoxy was derived from the studies of Alfred Marshal particularly the "*Principles of Economics*" published in 1890. It relies upon the analysis of short-run economic development and focuses on profit maximization through efficiently allocated recourses. In a nutshell, economic analysis is concentrated upon private sector's decision-making and the role of the market forces rather than the states in the process of recourse allocation (Hunt, 1989).

The World Bank since its formation has been a fundamental anchor of this mainstream view and by recommending the trade liberalization policy theoretically adheres to this theory (World Bank, 1987). Hence in practice, during the 1980s and 1990s the Bank hand in hand with the IMF provided loans to developing countries with condition to adopt free market environment. This policy recommendation soon became known as the "Washington Consensus". In 1995 subsequent emergence of the WTO that became a push for developing

nations to undertake the course of trade liberalization, revealed that these organizations are the main adherents of the neoclassical theory (World Bank, 1987; Wade, 1996; Thompson, 1998; Hamada, Otsuka, Ranis & Togo, 2011).

In this model, the state's role is relatively limited to catalyst and corrector of market failures. Occupying the centre stage are private entrepreneurs who respond eagerly to market stimuli, capitalizing on cheap, plentiful supplies of labour. This interpretation starts with a free trade regime, whereby national policy allocates resources in accordance with the country's existing comparative advantage. (Chiu & Lui, 1998, pp. 138-9)

The Bank had shown the HPAEs' success as the best example of the neoclassical development model and argued that they had undertaken "right fundamentals" or "*laissez-faire*" policies. Consequently, these served to achieve the miraculous growth rate and equal income distribution (World Bank, 1987). The "right fundamentals" stand for "*low inflation and competitive exchange rates, broadly based human capital development, effective and secure financial system, limited price distortions, the absorption of foreign technology, and a limited bias against agriculture*" (Lee, 2002, p. 3).

The states in the HPAEs except promoting steel and shipbuilding industries in South Korea and several considered industries in Taiwan had been providing up-to-date infrastructure, stable encouragement system, positive conditions for exporters by abolishing administrative barriers to exports. Besides, governments guaranteed that the bureaucracy will uphold exports rather than

harm. Only by these means states facilitated rapid economic development and nothing beyond (Balassa, 1988; Chiu & Lui, 1998). However, Kuznets (1988) compared the degree of the state's interventions in Japan, South Korea and Taiwan, and came to a different point from that of Balassa's (1988). He stressed that in these states "*government intervention, though restricted by the need to keep exports competitive, has been pervasive*" (p. S36). In turn, the World Bank claimed that the locomotives of the HPAEs' industrial revolution were the private enterprises and the states had a neutral role in these processes rather than "pervasive" (Chiu & Lui, 1998).

Balassa (1988) attempted to justify "Applied Economic Policies" by comparing economic policies undertaken in Latin America and East Asia. Except Hong-Kong the rest of the HPAEs as well as the Latin American states applied the first stage of "import-substituting industrialization" (ISI) strategy whereby the states emphasized on the domestic market through substituting imports of non-durable and "labor intensive" consumer goods<sup>2</sup> with locally manufactured ones.

However, according to the author once this stage of industrialization had been accomplished, the growth rate of manufacturing declined and could not surpass that of consumption anymore. Later, in the 1960s contrary to the Latin American states, which went through the second stage of the ISI wherein imports of durable or "capital-intensive" consumer goods<sup>3</sup> were replaced by the local production, the HPAEs adopted "export-oriented industrialization" strategy that

---

<sup>2</sup> In this category Balassa (1988) included "*clothing and textiles, shoes and leather, furniture and wood*"(p. S282).

<sup>3</sup> According to Balassa (1988) the concerned industries are chemical and steel etc.

provided an opportunity to overwhelm the limited capacity of their overfilled internal markets.

Contrary to the ISI that comes up with “protectionism and monopolies” the export-oriented strategy equips the economy with capability to compete in the world market (Balassa, 1988; Jenkins, 1991; Chui & Lui, 1998). Balassa further determined four pillars of the HPAEs’ economic development as: “stability of the incentive system, limited administrative controls, *laissez-faire* labor and capital markets and reliance on private capital” (1988, pp. S286-7). The author states that all these four pillars had been controversial in the case of the Latin America, meaning that the states in this region were much pervasive.

Applicability of the neoclassical model to the HPAEs’ industrialization, especially Balassa’s attribution lately went through the surge of criticism of economic scholars, such as Wade (1988; 1993; 2003). The opponent argued that Balassa conducted his study on the HPAEs based on weak methodology and drawing pictures of Korea and Taiwan as the states with liberalized trading systems was strongly misleading.

Wade further argued that Balassa calculated the effective rate of protection by comparing the prices of the same consumer goods, which had been simultaneously produced locally and abroad. Balassa ignored that subsistence of tariffs and trade regulations make the local prices higher than those of external with free trade prices. Yet he preferred to compare prices directly, while in the 1960s tariffs on imports and quantitative restrictions in Korea and Taiwan

accounted at average 60 and 74 per cent respectively (Chui & Lui, 1998, pp. 141-2).

Therefore, Wade (1993) underlined that Korean and Taiwanese trade systems with their bunch of quantitative and qualitative regulations cannot be qualified as *laissez faire*. Until the late 1980s almost all commercial banks in Korea and Taiwan were owned by the states. Here the author contrasts the neoclassical interpretation that the HPAEs had unfettered financial sectors. Given these advantages the state in Korea undertook industrial policies, such as allocation of the huge amount of policy loans to *chaebols*<sup>4</sup>. Those policy loans provided *chaebols* an opportunity to invest in new ventures and to diversify their production lines (Chui & Lui, 1998).

White and Wade (1988) summed up that contrary to the neoclassical explanations, the HPAEs' states had robust and more pick up interventions in the market than those of Latin American.

## 2.2 Developmental State Theory

The Statist model is a fruit of debates on the vital preconditions for development, between the Neoclassical, Neomarxist and Dependency theorists. The latters questioned the dependent nature of developing nations and stressed that new socialist government agencies and smooth fundamental social

---

<sup>4</sup> Conglomerates or large business groups comprising of large companies in highly diversified business areas. According to *The Economist* (1996, p.58) the four biggest Korean *chaebols* are Hyundai, Samsung, LG and Daewoo which produced 80% of the country's GDP or 60% of its exports.



transformation are the vital preconditions for development (White & Wade, 1988). This intellectual debate took its historical roots from the argument that effective “late industrialization” shapes its form of development in a diametrically different manner from those of advanced economies (Gerschenkron, 1962). Chui and Lui (1998) stressed that contrary to the Neoclassicals, the Statists emphasized on the experience of “late industrialization” instead of squeezing maximum profits based upon comparative advantages. Hence, their perspectives are still suitable to Gerschenkron’s idea of “late industrialization”, which emphasized the state as the main protagonist guiding the market.

Amsden (1989) also declared that the HPAEs’ industrialization has a character of “lateness” rather than “newness”. By this she theoretically adhered to the idea of Gerschenkron’s. She stated that in the HPAEs *“industrialization has come about as a process of learning rather than generating inventions or innovations”* (p. 4). Moreover, Wade (1992) claimed that the degree of obstacles faced by the latecomers raised an issue of developmental states to compensate the disadvantages faced by the HPAEs’ companies while competing with their foreign competitioners, as well as to maintain transformation of their industries towards more capital intensive technological productions.

Chalmers Johnson invoked the concept of “Developmental State” while characterizing the role of the Japanese government played in the country’s unexpected economic enrichment (Johnson, 1999). This concept belongs to

neither Anglo-American nor Socialist models of the state's role<sup>5</sup> in the economy which rather goes beyond these two orthodoxies. Thus, in this theory the state guides the private enterprise's decisions through pressure, encouragement and manipulation of their frontiers of decision-making (Johnson, 1987; Chui & Lui, 1998). White and Wade (1988) adhered to Johnson's explanation on "Developmental state". They claimed that Taiwanese and Korean states are utterly diverging from those of the Socialist and Western paradigm, as the formers' had given priorities to their industries by constraining market's rationality.

If we turn to Japan, South Korea, and Taiwan, among the most dramatic and equitable cases in the history of capitalist development, industrialization has in each case been accompanied by aggressive government intervention. The authorities have acted to guide markets and moderate the competitive process in a way that neo-classical economics says public officials cannot get right. (White & Wade, 1984, p. 1)

Amsden (1989) asserted that every stage of industrial revolutions had certain degree of the state interventions. For instance, the state in the Great Britain – the mainland of "*First Industrial Revolution*" with *laissez faire* principles used to impose restrictions on technological outflow. The "*Second Industrial Revolution*" is associated with adoption of the strategy of "*infant industry protection*" in the United States and Germany. She continued that late industrializers have been specializing on practicing the dual strategies of

---

<sup>5</sup> Jonson (1987) contended, in the Anglo-American model of economy states are primarily controlling and have neutral role in the market operations, while the Socialist states attempt to replace bureaucracy for private sector and market mechanisms.

“subsidies” and “disciplines”. In the HPAEs subsidies distorted their relative domestic prices, and empowered the states “*to decide what, when, and how much to produce which strategic industry to favour*” (Amsden, 1989, pp. 8-12). However, in return according to Amsden the states in the HPAEs had been imposing “disciplines” over recipients of the their subsidies. For instance, in Korea “disciplines” served as “carrot and stick” by means of which government rewarded<sup>6</sup> successful firms and penalized failed ones through holding back their licenses.

Onis (1991) emphasized features associated with developmental states in Taiwan, South Korea and Japan as an unusual high degree of bureaucratic autonomy and public-private cooperation. The bureaucratic autonomy in the HPAEs, which had been organized based on meritocratic staff recruitment, gave space for governments to prevent corruption and identify their development targets independently (Onis, 1991; Weiss, 1995). Given the example of the Latin American states, Onis stated that lack of bureaucratic autonomy and public-private cooperation leads to the elaboration of misleading set of national goals lying on private interests. According to Johnson (1987) bureaucratic autonomy had been highly protected in the HPAEs. Johnson stressed, “... *the official bureaucracy does the actual planning, intervening, and guiding of the economy*” (p. 152).

Chui and Lui (1998) claimed that despite the popularity of the HPAEs’

---

<sup>6</sup>Amsden (1989) referred to the extension of state bank’s loans, technical support, and introduction of foreign advanced technology through purchasing their licenses.

development model, they have limited applicability and validity of the Statist model. In drawing this model it is important to consider Bradford's (1986) forewarning: *"The real story of what constitutes successful development is more suitable and indeed quite different from what the stereotypes suggest"* (p. 122).

According to Chui and Lui (1998), the adherents of this model generalized the HPAEs' cases and neglected to compare relative economic issues across the region. They excessively used the most evident cases to prove their theoretical opinion. In addition, the authors argued that Hong-Kong is most likely suitable to the Neoclassical model rather to Statist. This is evidently seen when its politicians are striving to work alongside the philosophy of "unfettered market" which warrant state's non-intervention in the market.

Singaporean state's interference was not as much pervasive as it was in the other HPAEs. Chui and Lui asserted that government's interference mainly had been concentrated upon labor market, fiscal incentives and providing infrastructure. Beyond these sectors government had no interest to interfere, even not capable to support financially the local manufacturers. However, with the purpose of determining the state's responsibilities in the economic life of the HPAEs, the authors appealed to neglect both models and called for diversified analysis of their role.

### 2.3 State-business Interdependence Theory

In raising the debates on the applicability of the Statist model, Gilbert and Howe (1991) argued that the Statists neglected the state-business interdependence and by acknowledging the state as an independent institution they missed the point of its relation to the society. The Statists underestimated societal power and disregarded possible class conflicts in the countries concerned. The authors claimed, “*State and society are interdependent, and must be analyzed as such*” (p. 205).

In vindication for such theory Weiss (1995) in her study on the HPAEs claimed that adherents of the Statist model more explicitly emphasized on the applied industrial policies and less implicitly on the government-business harmonized interactions.

Therefore, Weiss called for the new explanatory theory known as “*governed interdependence*” (Appendix B1 shows its approach). Her theory proposes “*that the ability of East Asian firms and industry more generally to adopt quickly to economic change is based on a system that socializes risk and thereby coordinates change across a broad array of organizations-both public and private*” (p. 594). According to the author the proposed system mitigated the HPAEs’ firms from carrying whole burden of following risks related to: diversification of production lines and development of new technology; increasing capital; exploring new markets; and preparation of engineers, through sharing them with the related government institutions.

Weiss stated that the history is a testimony that pervasive governments were doubtful and improper in issues of managing their industrial sector. Hence, such models of state autonomy were lacking in important advantage, known as industrial “*connectedness*” or what Evans (1995) called “*embeddedness*”. Evans referred to the embedded autonomy as an existence of policy networks connecting public and private sectors. In Japan, Korea and Taiwan, relevant government institutions set up policy linkages to industrial sectors. These networks had been established on the basis of a vital mechanism, which enabled both parties to acquire valid information and consensually coordinate economic processes.

Okimoto (1989) claims that only strengthened policy linkages between public and private sectors enabled Japanese government to practice industrial policy, which in turn led to economic prosperity. In Japan the “policy linkages” had been reflected in the form of 250 Deliberating councils or arranged forums for state-business consultations on major policies. Such councils empowered the government to consult and coordinate with private sector, which is rich in information related to industry (Johnson, 1985; Weiss, 1995).

Although the HPAEs had similar policy linkages they had different business systems. In Japan this system was founded on the basis of “*keiretsu*”<sup>7</sup> groups, in Korea on diversified *chaebols* and Taiwan on prosperous small and medium enterprises. Despite these wide diversities, the structures of their

---

<sup>7</sup> Keiretsu is business group or industrial conglomerate, comprises of diversified industrial firms based on cross-shareholding system and borrow from the same financial institution, which serves all group members. The six largest Japanese contemporary keiretsu are Mitsui, Mitsubishi, Sumitomo, Fuyo, Sanwa and Industrial Bank of Japan. For more information refer to: Miyashita, K., & Russell, D. (1994). *Keiretsu: Inside the hidden Japanese conglomerates* (pp. 21-33). New York: McGraw-Hill.

industries had several common features that maintained connectedness with government. For instance, similar to Japanese Deliberation Councils, Taiwanese and Korean governments had established relevant committees comprised of government, academic and private sector representatives (Weiss, 1995).

The moral of Weiss's argument is that neither too much *dirigiste* state nor too much *laissez faire* market is effective in the long-run economic growth. The state-business interdependence model introduced by Weiss has come about to fulfill the shortcomings of the Developmental state model.

However, her proposed model as an analytical approach has been seen as problematic (Chui & Lui, 1998). They argued that in Japan, Korea and Taiwan state-business relations had not been equally cooperative. Moreover, the balance of government and market power had been distributed irrationally across these countries. If Japan is the best example of Weiss's theory, the same we cannot say about Korea, where according to Amsden the state had changed business behaviors for the sake of national interest. Besides, having post-war military regime of Kuomintang in Taiwan, cooperation with small and medium enterprises seemed problematic. Further, by questioning what are the conditions for state-business cooperation, Chui and Lui argued that Weiss neglected to explain the possibility to raise bargaining, struggles and even conflicts of interests between public and private sectors during the negotiations. They concluded, "*(t)heir interests may converge in certain countries, but diverge in others. Or public-*

*private cooperation may be more possible in certain sectors within certain countries but not others” (1998, p. 153).*

Table 2.1 summarizes this chapter through comparison of the analyzed theories’ perceptions on the HPAE’s industrial development as a model.

Table 2.1

*East Asian political economy: from the perspectives of the three theories (during the 1950’s and 1990’s)*

Indicators	Neoclassical theory	Revisionists	
		Developmental state theory	Institutionalist theory
Pervasive states	No, rather correcting market failures	Yes, the governments were strongly active in the market	
<i>Laissez faire</i> market	Yes	No	
<i>hence:</i>			
Economic decision-making was stressed on:	Markets	States' capacity	Institutional networks comprising from both the state and business
Resource allocation	Markets decided, based on the countries' comparative advantages	States-led resource allocation	
Industrial policies	Partially	Yes	
<i>hence:</i>			
"Picking the winners strategies"	Theory says, in market free economy such strategies are inconsistent	States were practicing such strategies	
ISI strategies	Recognizes that initially they employed this strategy	Yes	
Export-oriented Industrialization	Yes	Yes	
Financial sectors were:	Free of the states' control	Strictly under the states' control (mostly in Japan, Korea and Taiwan)	
Trade was:	Free, with no barriers	Subject to quantitative and qualitative restrictions imposed by the states	

*Note: Due to the space limitations there are some other indicators excluded.*

*Source: Compiled by the researcher.*



The summary in the Table 2.1 demonstrates that the revisionists have explicitly shown the key industrial and economic indicators that were subject of the states control. Just because of the states' efforts to make a cocktail from these components in an adequate amount led to the East Asian miracle.

Nevertheless, despite this fact the HPAEs' success as a potential development model have been further undermined by subsequent historical events, such as evolvement of the Washington Consensus, emergence of the Asian Financial Crisis of 1997, and triumph of the WTO over the GATT in 1995 (Stiglitz, 1999; Rodrik, 2008). Therefore, the next chapter sheds light into the trends that made the neoclassical orthodox more robust and the outcomes these trends brought for the developing regions.

## **CHAPTER THREE**

### **3. HOW THE WORLD HAS CHANGED WITH THE EMERGENCE OF THE WORLD TRADE ORGANIZATION?**

This chapter highlights the emergence of the WTO and what changes it brought for the developing world. For that, it will reflect a surge of neoliberal reforms occurred in the developing regions with the evolution of the Washington Consensus (WC).

#### *3.1 Evolvement of the Washington Consensus*

The period of the 1970s up to 1980 was a period of remarkable economic prosperity in the Latin American region. However, the oil shocks of the 1970s had brought severe economic crisis into this region to which the states neglected to respond properly. Furthermore, eagerness of both, authorities to finance their balance of payment (BoP) and budget deficits, and foreign investors mostly from oil exporter countries to invest their petrodollars into this region worsened the situation (Hartlyn & Morley, 1986). Stiglitz (1999) claimed that the turning point for the crisis occurred when the real interest rates had risen in the United States. This made the entire region heavily indebted and incapable to serve its increased interest payments.

John Williamson (2004a) who pioneered the phrase “Washington Consensus” in 1989 asserted that his set of ten policy prescriptions was the most

desirable in the Latin America to overcome the crisis. Most importantly he stated that the WC was not only his, but also was a “*Washington*” of the U.S. House of Representatives, the White House, the U.S. Treasury, the Bretton Woods system and other International Financial Institutions (IFIs), and economic think tanks (Williamson, 1990). Nevertheless, Williamson (2009) claimed that many misleading opponents of the WC have been testifying that these prescriptions had come about to sweep aside the old economic development strategies prevailed in the region, *per se* the *dirigisme* based on Marxist interpretation.

Gay (2007) inclined to believe that initially Williamson had been asserting that his “*consensus*” should be applied in whole developing world at all times. However, in his subsequent publications Williamson gradually has been changing his stance. In fact, he denied his claim by arguing that the WC had been designed just for the Latin America, but the Bretton Woods Institutions and their adherents had extended its applicability to the rest of developing countries all over the world (Williamson, 2009). In any case, whether Williamson has changed his stance or not, with lesser reference to him, his “*consensus*” became an absolute roadmap for global policymaking advocated by the IMF and the World Bank. For instance, throughout the 1990s the WC was mainly propagated across developing countries by these financial institutions using their conditional loans as a chief leverage.

The original ten structural adjustment programs proposed: cutting off the budget deficits that led to balance of payments deficits; reducing and redirecting public expenditures from pro-growth to pro-poor; conducting tax reforms;

liberalizing the exchange rate and financial markets; reducing customs tariffs; establishing favorable conditions for the attraction of foreign direct investment (FDI); privatizing the state assets for the advantage of private entrepreneurship; and providing fair competition (Williamson, 2009).

Meanwhile, Dani Rodrik (2008) challenged the Neoclassical orthodox by revealing “*The Augmented Washington Consensus*”. According to the author, the “*augmented consensus*” (see Table 3.1) underlies institutional nature, which is maintained by the neoclassical adherents whose belief is that bringing democracy through institutional building is a core for economic prosperity.

Table 3.1  
*The Augmented Washington Consensus*

<b>Original Washington Consensus</b>	<b>Augmented Washington Consensus (+10)</b>
1. Fiscal discipline	11. Corporate governance
2. Reorientation of public expenditures	12. Anti-corruption
3. Tax reform	13. Flexible labor markets
4. Financial liberalization	14. WTO agreements
5. Unified and competitive exchange rates	15. Financial codes and standards
6. Trade liberalization	16. “Prudent” capital-account opening
7. Openness to DFI	17. Non-intermediate exchange rate regimes
8. Privatization	18. Independent central banks/inflation targeting
9. Deregulation	19. Social safety nets
10. Secure Property Rights	20. Targeted poverty reduction

*Source:* Adapted from Rodrik (2008, p. 17).

Rodrik contrasted Williamson by arguing that both original and augmented consensus have a neoliberal agenda, and through demonstrating the HPAEs’ success he further urged that well functioning institutions do not require reforms.

In a nutshell, it can be described in the following famous quotation: “*It does not matter what color has a cat, as long as it catches the mice*”<sup>8</sup>.

Speaking of the HPAEs, Stiglitz (1999) claimed that before the Asian Financial Crisis of 1997 their model of economic development had been a symbol of motivation for the rests to act beyond the WC. Further, he found out that although the HPAEs had managed to not implement the WC’s prescriptions, their low inflation and fiscal prudence policies were absolutely aligned with those prescriptions. In light of reducing government existence in the markets advocated by WC’s adherents, Stiglitz argued that the real estate bubble in Thailand was not caused by the government’s eagerness to invest into it; it was caused by the lack of government control to halt the flow of investments. Moreover, he brought Korea as an example, where its government underestimated the vitality of the financial sector and corporate governance. Consequently, this led to the misallocation of the credits and subsidies. The author concluded that the WC had no solution for the Asian Financial Crisis.

As we have found in Rodrik (2008) the need to establish the WTO as an organization that will be advocating trade without barriers has taken its core from the augmented WC. Therefore, in the coming section the researcher sheds light to the issues concerning the WTO *per se* how it emerged and how much space it left for developing countries to develop their industries.

---

<sup>8</sup> This was a famous quotation of Deng Xiaoping, the former Chinese leader (1904-1997).

### *3.2 Emergence of the World Trade Organization: is there any space for industrial development?*

*“The world is experiencing a surge of international regulations aimed at limiting the development policy options of developing country governments”* (Wade, 2003, p. 1). According to the author, the policy options became more limited with accomplishment of the Uruguay Round of multilateral trade negotiations (1986-1994), wherein the GATT members agreed to establish the WTO. In itself, the WTO had integrated a set of decisive agreements, which hitherto have expanded the scope of its responsibilities beyond the traditional reduction of tariffs on trade.

Amongst those agreements, the WTO has four major agreements that seem innocent at first blush. They are: *“Trade – Related Aspects of Intellectual Property Rights”*– TRIPs; *“Agreement on Trade – Related Investment Measures”*– TRIMs; *“General Agreement on Trade in Services”* – GATS; *“Agreement on Subsidies and Countervailing Measures”* – SCMs (Natsuda & Thoburn, 2014, pp. 1-2).

The TRIPs – have come about to protect intellectual property rights (IPRs) that are subject to international trade. These include copyrights; trademarks, geographical indications; industrial designs; patents and trade secrets (Correa, 2000). According to Wade (2003), patents and copyrights are the most menacing. For instance, although many countries issue patents with lesser due date, the TRIPs obliges the WTO members to employ a minimum standard for IPRs

protection with period of 20 years for patents. Furthermore, it limits the government's ability to utilize patented product or technology.

Regarding technology, its transfer from developed to developing countries become a subject to academic dispute between economic think tanks. The TRIPs defenders asserted that sound legal protection of IPRs would increase the inflow of FDI, which in turn might cause technology transfer and develop innovation activities in developing countries (Correa, 2001). However, those who have taken the opposite side of dispute argued that the gap of technological advancement between developed and developing countries has been increasing since the adoption of the agreement. According to Sachs (1999), the North's<sup>9</sup> attempts to cut off piracy on IPRs through TRIPs had slowed down the technology transfer so that the poor nations are being ripped off from the intellectual rally. Thus, he calls for some sort of equity to be embedded into the agreement.

If we size up the development experience of once developing and presently developed countries like the USA, European countries, Japan and let us include the rest of the HPAEs<sup>10</sup>, then we could easily recall the assessment made by Gerschenkron (1962) and Amsden (1989) that these "*latecomer*" states advanced their industries through technology borrowing behavior, rather for their inventiveness. To sum, whether the TRIPs shares with tidbit of industrial

---

<sup>9</sup> The author here refers to the developed countries in particular the USA.

<sup>10</sup> Although, some of the HPAEs do not possess a status of developed country, they have experienced tremendous socio-economic development after the World War II, as it has been proved in the previous chapter.

development with developing countries or not, we would like to quote Natsuda and Thoburn (2014):

Under the WTO regime current developing countries cannot pursue the same policies as the current developed countries and East Asian countries did in the past, because the TRIPs limit developing countries' access to technology and knowledge. In other words, the policy space for such technology policies has been shrunk, and the ladder up towards development has partly been kicked away. (pp. 4-5)

TRIMs – designed with purpose to ban “*performance requirements*” imposed on foreign companies in host country, which negatively affect trade flows. They include requirements on local content, exports barriers, local manufacturing, technology transfer, trade balancing, foreign exchange requirements and domestic production mandates (Lawrence, 1997). The author claimed that adoption of the TRIMs established a fairly competitive environment for attracting FDI among developing countries and its inflow has been increasing in recent years.

However, Wade (2003) argued that the TRIMs is more dangerous than the TRIPs, because they reduce development options of developing countries, as they occupy broader scopes of an economy and operate based on non-discrimination principles. Furthermore, the TRIMs' supporters refer to some clauses of the agreement that provides “*special and differential treatment*” to developing countries in terms of “*time period*” for smooth complying. Wade argued that



*“time period”* has nothing to do with the protection of infant industry; rather it has been provided for aligning legislative framework with the TRIMs requirements. Wade (2003) concluded that *“(i)n this fundamental respect the TRIMS agreement narrows the scope of ‘special and differential treatment’ allowable for developing countries, compared to the scope pre-TRIMS”* (p. 7).

GATS – disciplines and obligations apply to all kind of government intervention at all levels of governments, even to those non-governmental companies experiencing governmental support. Thus, the WTO members are required to bring their legal frameworks aligned with the GATS requirements (United Nations Conference on Trade and Development [UNCTAD], 2003).

According to Wade (2003), this agreement has extended the WTO’s scope of regulations from trading in goods to trading in services. Here, by trade in services the GATS refers to investments in social sphere services (education and health distribution); banking; waste utilization; tourism and water supply and sanitation. Therefore this agreement could be considered as an investment agreement (Wade, 2003; Natsuda & Thoburn, 2013).

The concept of “trade in services” itself, defined in Article I:2 of the GATS as providing services within four *“modes of supply”* (see Table 3.2) (UNCTAD, 2003).

Table 3.2

*Four modes of service supply*

1. <i>Cross-border</i>	<i>This mode involves supply of a service across the border from the territory of one Member into the territory of another Member</i>
2. <i>Consumption abroad</i>	<i>It deals with the situation where the consumer of a service travels to the territory of another Member in order to consume the services</i>
3. <i>Commercial presence</i>	<i>The supply of services under this mode requires that the service provider of a Member has established a commercial presence in the territory of another Member</i>
4. <i>Movement of natural persons</i>	<i>This is where a service provider of one Member travels to the territory of another Member in order to supply the service</i>

Source: UNCTAD (2003, pp. 13-28). Compiled by the researcher.

Further, the scopes of the GATS' responsibilities become broader, as it requires "*most favored nation (MFN) treatment*" that obliges the host governments to treat all companies from all of the WTO member countries operating within their territories equally. In addition, the GATS obliges "*national treatment*" that requires host government to treat both domestic and foreign (as long as they are from member countries) companies equivalently at the same level (UNCTAD, 2003, pp. 13-28).

The GATS adherents assert that fair trade in services within the GATS' regulations will increase the inflow of FDI in the form of technology and its diffusion, which in turn will accelerate economic development in developing WTO members (Walraven, 2006).

However, a study conducted by the UNCTAD disproved this stance of the GATS' supporters; it claims: "*There is no empirical evidence to link any significant increase in FDI flows to developing countries with the conclusion of*

*GATS*” (UNCTAD, 2000, p. 172). Moreover, Wade (2003) argued that the GATS massively narrow down the space for government’s policy intervention aimed to improve technological base of local industries. To sum up with the impact of the GATS on development in developing WTO members we would refer to Natsuda and Thoburn (2013): *“In this context, the GATS agreement diminishes the development policy space in developing countries”* (p. 5).

SCMs – crafted to diminish governmental export promotion incentives and to prohibit application of once famous ISI policy. Article 1 of the SCMs applies multilateral disciplines and prohibition of subsidies that are specific and not necessarily related to services, but to goods. Now, if a member government employs an income support or financial contribution (in the form of: grants and loan guarantee, corporate income tax exemptions, government procurement, providing goods and services) to a specific industrial company, then it would be treated as a subject to the SCMs disciplines.

By “specific” here, the agreement implies to the targeted support of a government to certain enterprises or to a particular branch of its industry (for instance, steel or textile industries). In turn, under the SCMs the subsidies are categorized into two groups. First, *“prohibited subsidies”* prescribed in the Article 3 of the SCMs, which prohibits government subsidies directed to export promotion and import substitution subsidies (International Trade Center, 2009). Nevertheless, Natsuda and Thoburn (2013) assert that there is a demarcation line that determines categories of developing countries having per capita income

below US\$1,000 which are subject to exemption from this prohibition. The second is “*actionable subsidies*”. It covers the rest of subsidies that do not necessarily fall under “*prohibited subsidies*”, but could possibly cause “adverse effects” on the interests of the rest of the WTO members. According to the authors there are three types of “adverse effects”: “*i) damage to domestic industry in importing countries, ii) serious prejudice as a result of adverse effect in a third country market, iii) nullification or impairment of benefits accruing under GATT 1994*” (p. 6).

### *3.3 What are the Development Options for Developing Countries Left Beyond the WTO Regime?*

Throughout the previous chapter we have been witnessing that the HPAEs have achieved their tremendous economic prosperity due to the implementation of industrial policies. Therefore, in this section our main objective is to find out whether today’s developing countries still have the opportunity to employ those industrial policies within the WTO regime or not.

Lee and Han (2006) argued that in the age of the WTO the states are more disempowered and alignment to the WTO regime has swept away the opportunity to employ the East Asian developmental state model. However, some of the WTO opponents such as Amsden (2001; 2003), Rodrick (2004), Shafaeddin (2006) and Natsuda and Thoburn (2014) asserted that although it is shrinking, the developing nations still have plenty of room for maneuvering to implement industrial policies within the WTO framework.

For instance, Amsden (2003) mentioned the “specific non-actionable subsidies” pointed out earlier, as well as the following: employing of indirect export requirement through “trade-balancing”, and development of technological based economy through investing in “technological parks.” Furthermore, she called for “getting the control mechanism right” in order to stimulate and guide the private enterprises in particular direction. The essence of her argument is that no matter what instruments of promotion, they “...*must be tied to monitorable performance standard and operate within a reciprocal control mechanism that disciplines all parties involved in industrial expansion*” (Amsden, 2003, p. 95).

According to UNCTAD (2006) unless the WTO member government does not violate the national treatment it is allowed to impose measures regulating FDI. Such measures could be an obligation on foreign firms to transfer or license a certain technology to the domestic firms or conduct R&D locally. Moreover, it also enables host government to require investors to hire their technology staff locally (Shadlen, 2005).

Furthermore, Shafaeddin (2006) asserted that developing countries have the only opportunity to promote indirect exports. That is to set up export activities in their disadvantaged regions, which allow them to benefit from “non-specific subsidies” offered to the industries in those regions. Speaking of disadvantaged regions, China, for the sake of its poor regions provided tax holidays for the foreign investors investing in there (UNCTAD, 2006). This method is also consistent with the WTO regime, which gives the host government an opportunity

to take control over foreign participants. To wrap up this section we would like to quote Natsuda and Thoburn (2014):

... the WTO rules still allow developing governments to select strategic industries or particular operations and functions (such as R&D, human resource development, regional headquarters) for industrial development. This can be still done by employing discretionary power in providing subsidies or positive tax incentives. (p. 7)

## **CHAPTER FOUR**

### **4. ECONOMIC AND INDUSTRIAL STATE OF TAJIKISTAN**

This chapter sheds light into Tajikistan's macroeconomic situation as well as patterns of its industrial development, which encompasses issues, such as overall industrial location, its structural changes and challenges. It also assesses the GoT's industrial policy and seeks to find out for similarities to those of the HPAEs'. The chapter concludes with analysis of Tajikistan's political economy from those of the Neoclassical and Revisionist's perspectives.

#### *4.1 Country Context*

Republic of Tajikistan is a former Soviet Union country that gained its independence on 9<sup>th</sup> of September 1991. It is a Central Asian landlocked developing country that is geographically located two thousand kilometers far-off from the closest port. This makes it the least accessible country in the globe (World Bank, 2010). Within 22 years of independence, the country has been experiencing several political changes including the civil conflict that lasted for five years until the "Peace Treaty" between the government and opposition has been undersigned in 1997. For the administrative purposes, the country is divided into four provinces: Sughd, Khatlon, Gorno-Badakhshan Autonomous Region (GBAO) and regions of republican subordination (RRS).

Tajikistan has 527,000 GWh/year hydro potential that is considered the second in the region after the Russia Federation and the fifth in the world

(Kayumov, 2010). Potentially, the abundance of water resources makes production of ecologically pure energy one of the comparative advantages of the country alongside production of cotton and aluminum. Unfortunately, despite a number of recently launched large and small hydropower stations, the country is harnessing only 6 per cent of its feasible hydro potential (World Energy Council, 2007).

In 2013 Tajikistan announced the birth of its eight millionth citizen (see Appendix A1). The growing tendency of its population (2.45 per cent) annually brings about 150,000 additional workforces into the economy with 2.4 per cent unemployment rate per annum (ASUPRT, 2012). Abundance of labor force in the country caused net migration rate to increase to -8.15. Moreover, in 2011, the country has been ranked as the first among ten top recipient countries of migrant remittances (see Figure 4.1) (UNFPA, 2012).

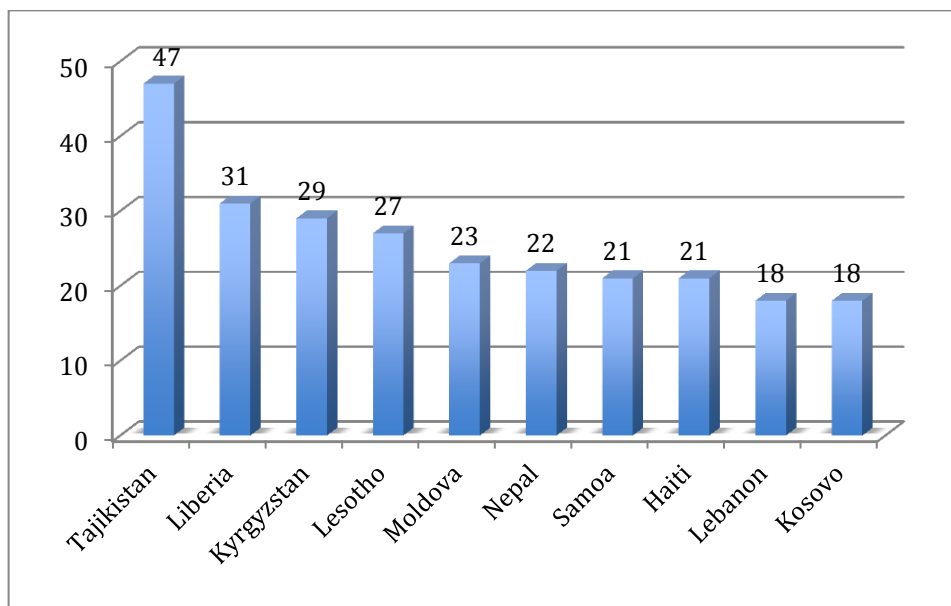


Figure 4.1. *Top ten recipients of migrant remittances as share of GDP (2011).*  
Source: World Bank (2013b, p. 5). *The Migration Development Brief.*



In 1999, as a consequence of the civil conflict and the collapse of the socio-economically integrated system of the USSR, the country's net population income declined sharply; living standards fallen to the levels associated with those of least-developed countries; and 81 per cent of the population fallen below the poverty line (see Appendix B2). However, according to the “Living Standard Improvement Strategy of Tajikistan” (LSIST) due to expansion of the socio-economic reforms, maintenance of macroeconomic stability, support of the international community and particularly remittances of the labor migrants (see Figure 4.2), the poverty rate has shrunk to 38.3 per cent in 2012 (LSIST, 2013).

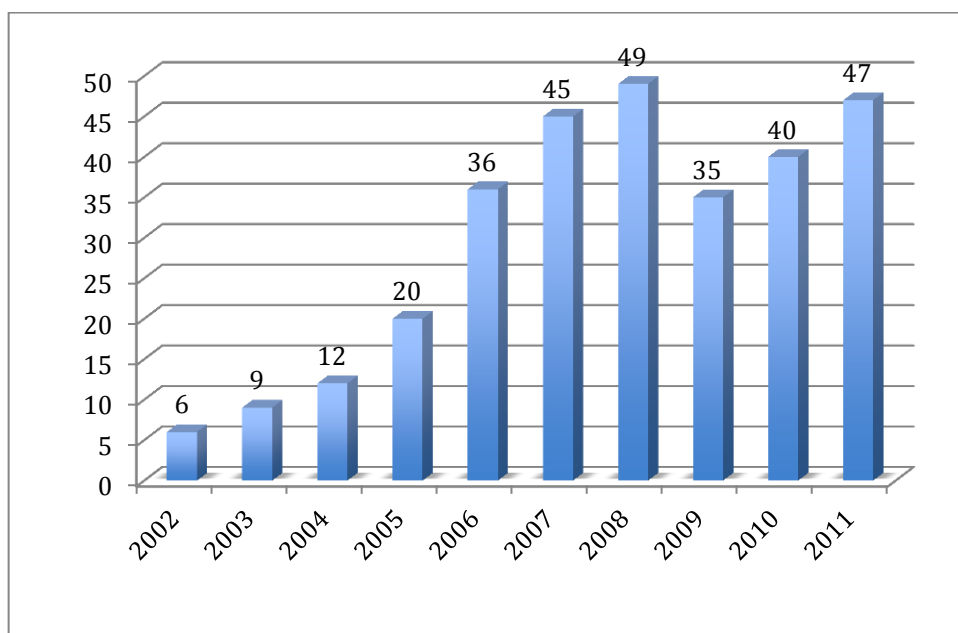


Figure 4.2. *Tajikistan's migrant remittances as percentage of GDP.*  
Source: World Bank (2013a). Compiled by the researcher.

## 4.2 Macroeconomic Stability

Along with the rest of the four Central Asian countries, Tajikistan in 1994 embarked on the transition of its economic system from “centrally planned economy” to “market based economy” (Latifov, 2006). However, apart from its neighbors Tajikistan had been facing severe political and economic crises. As a result of the civil conflict, the country’s GDP in 1997 dropped 3 folds (32.6 per cent) from its level in 1989 (see Figure 4.3), which caused to consider Tajikistan as the worst economic performer in the region.

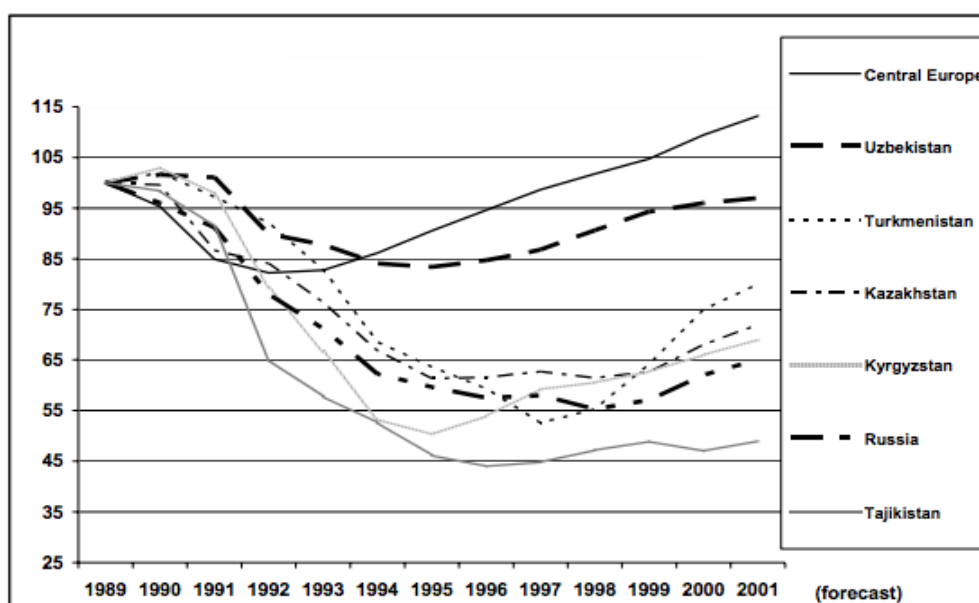


Figure 4.3 *GDP changes in the CIS countries (1989=100)*

Source: Pomfret (2003, p. 16).

Latifov (2006) claims that vast implementation of reformative sectoral programs had placed most significant impact on Tajikistan’s economic growth. These programs provided an opportunity to engage international community and abandon the long-lasting economic recession in 1997. In fact, since 1997 as it is

apparent in the Figure 4.4, the country has been enjoying a stable economic growth averaged at 8 per cent annually.

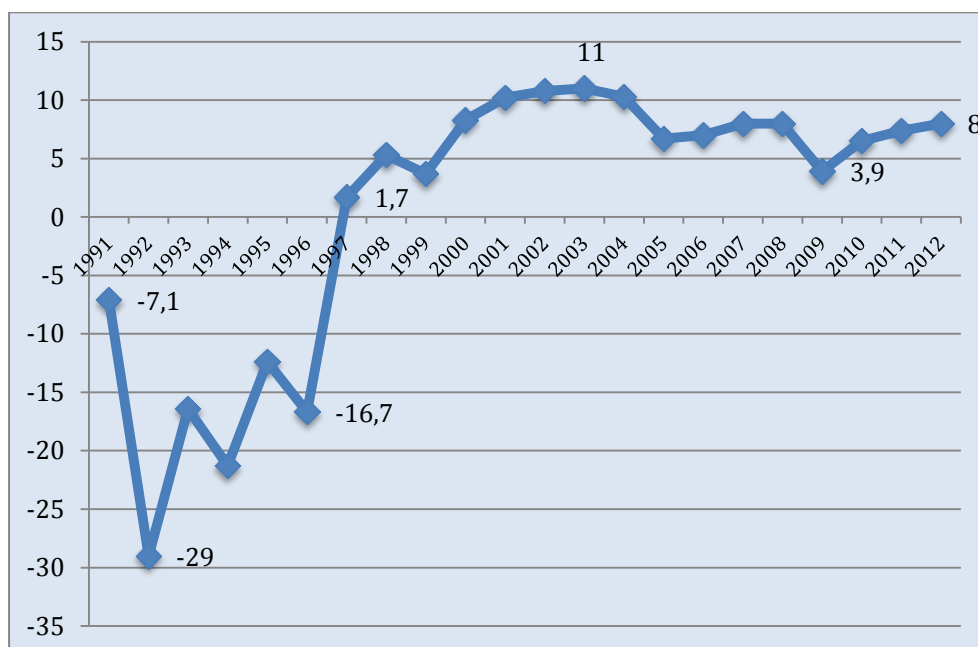


Figure 4.4 *Tajikistan's GDP growth rate (annual %)*  
Source: World Bank (2013a). Compiled by the researcher.

According to the Ministry of Finance of the Republic of Tajikistan (MFRT) as of 2000, the country's multilateral and bilateral debt had been accounted to 100 per cent of its GDP. However, due to its concessional character and substantial debt write-off initiatives of its bilateral partners, the government was able to manage the debt ratio at 28.5 per cent of the GDP in 2012. Currently, the country's external debt comprises of 43 per cent of multilateral and 47 per cent of bilateral loans, making the World Bank and China the largest multilateral and bilateral donors, respectively (MFRT, 2013).

Country's independent monetary institution had been set up along with

establishment of the National Bank of Tajikistan (NBT) in 1991. Until 2000, Tajikistan had changed its national currency several times. The current functioning national currency is “Somoni” (TJS) (President of Tajikistan, 2013) and the US dollar is commonly accepted currency in the country’s foreign trade operations. To overcome country’s negative trade balance (see Table 4.1) as a main tool the NBT has set out the free fluctuated managed exchange rate (TJS/USD). The trends of the foreign exchange rate fluctuation demonstrated in Appendix B3 show that TJS is depreciating since its implementation. Hopefully, having such trend is much favorable for the encouragement of the exports.

Table 4.1

*Tajikistan’s foreign trade turnover (current USD, billion)*

<b>Indicator</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Import	1.22	1.61	2.55	3.7	2.71	2.96	4.38	4.91
Export	0.6	0.65	0.76	0.86	0.75	0.86	1.16	1.39
Trade balance	-0.61	-0.96	-1.78	-2.83	-1.95	-2.1	-3.21	-3.52

*Source:* World Bank (2013a). Compiled by the researcher.

According to the World Bank (2013a) in 2012 country’s foreign trade turnover amounted USD 6.3 billion (current USD). Compared to 2005 this indicator has increased to 28.8 per cent in 2012. Despite this, the balance of trade turnover as apparent in Table 4.1 developed negatively and its deficiency amounted to over USD 2.4 billion or 24 per cent in comparison with 2011. Moreover, since the last decade the country has been possessing surplus budget balance averaged at 0.89 per cent annually and due to its prudent fiscal and monetary policies, the inflation rate dropped from 38 per cent in 2001 to 6.4 per cent in 2012 (NBT, 2013a; NBT, 2013b).

Based on the data retrieved from the World Bank (2013b) the researcher divided the sectoral economic performance of the four Central Asian countries into two decades (see Table 4.2). The first has been entitled as the lost decade encompasses periods of 1990 to 2000. The second as a decade of recovery encompasses periods of 2000 to 2010.

Table 4.2

*Average percentage of the GDP growth (breakdown by sectors) of the four Central Asian states for the period of 1990-2000 (I) and 2000-2010 (II)*

Name of country	GDP		Agriculture		Industry		Manufacturing		Services	
	I	II	I	II	I	II	I	II	I	II
Kyrgyzstan	-4.1	4.6	1.5	1.8	-10.3	0.8	-7.5	-1.2	-5.2	7.9
Tajikistan	-10.4	8.2	-6.8	7.7	-11.4	9.2	-12.6	8.6	-10.8	8.3
Turkmenistan	-4.9	13.9	-4.7	14.3	-2.7	30.3	-	-	-5.8	16
Uzbekistan	-0.2	6.9	0.5	6.5	-3.4	4.7	0.7	2.3	0.4	8.5

*Source:* World Bank (2013a). Compiled by the researcher.

Table 4.2 additionally confirms that during the first decade since independence due to known reasons Tajikistan had been the most economically disadvantaged country in the region. Analysis of the current composition of the country's GDP (see Table 4.3) shows that the service sector is dominating over the rest of the indicators making up 50 per cent of its GDP. Ironically, since 1991, agricultural and industrial sectors have equally dropped their shares in the country's GDP for almost two folds, each making up 25 per cent of the country's GDP in 2012.

Table 4.3

*Structural development of the Tajikistan's economy 2000-2012 (value added % of GDP)*

Indicator	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agriculture	24.7	27.1	21.6	24	24.2	22.2	22.7	22.1	21.2	26.7	25.6
Industry	39.4	37.4	35.4	31.3	31.1	30.5	28.3	24.5	23.4	22.1	25
Manufacture	34.2	31.3	24.3	23.7	22.2	18.8	14.4	12.5	9.5	8.3	7.2
Services	35.9	35.5	43	44.8	44.7	47.3	48.9	54.4	55.4	51.3	49.4

*Source:* World Bank (2013a). Compiled by the researcher.

### *4.3 Tajikistan Industry*

Before the invasion of the Soviet Union in 1924, Tajikistan inherited absolutely weak industry from the Bukhara Emirate. It had been recorded that in 1917 during the reign of Bukhara Emirate 85 per cent of Tajiks were involved into agricultural sector and only two people per 10,000 populations had been engaged in the small cotton processing industry. Moreover, due to its closeness to the capital of Bukhara all enterprises were established in the northern part of Tajikistan and the rest of the country had relatively no trace of industry at all (Umarov & Muhabbatov, 2011). The authors claim that the membership to the USSR had somehow brought no substantial changes at all, but only shifted from one system of governance to another. Tajikistan also served as the appendage of the comparably advanced economy through supply of the raw agricultural products to the industrial center.

According to Khonaliyev's (2009) periodization of industrial development, Tajikistan went through three stages of industrialization. The first, covers period of 1924-1940 known as the period of prioritized development of light and food industries based on utilization of local agricultural products. The second, known as the period of formation and development of multisectoral and mainly heavy industries, covers period of 1941-1971. In 1970 as compared with 1940 the gross industrial product increased 10 folds, including: electricity 92 folds; engineering and metallurgy 63 folds; and construction materials industry 44 folds. The third period was the stage of advanced development of metallurgy, chemical,

hydropower and energy-intensive industries, which started in 1971 and ended up with liquidation of centrally planned economy and the collapse of the communist bloc in 1990. Khokhlov (2002) asserts that the period of 1990 was the culminating period for the Tajikistan's industry. This caused the United Nations to recognize Tajikistan as an industrially advanced state.

Contemporary Tajik industry is considered as an underdeveloped and still situated in transformational crises heading towards deindustrialization. Industrial crisis reached its critical point in 1997 wherein industrial output rate constituted 32.3 per cent of that of in 1991, including: construction material industry 2.3 per cent; woodworking 4.7 per cent; fuel 8.8 per cent; chemical and petrochemical 13.5 per cent; food 14.8 per cent; engineering 13.7 per cent; light 32 per cent; metallurgy 39.6 per cent. Moreover, in 2010 there were engaged 69.5 thousand employees in industrial sector, which constitutes 30.2 per cent of that of in 1991 (Khonaliev, 2009; ASUPRT, 2011).

In 2012, the diversity of the country's main industrial products reached to 90 (Appendix A2 shows main industrial products) and the total industrial value added increased to 665.4 per cent and 172 per cent from that of in 1997 and 1991, respectively (World Bank, 2013a). However, Khonaliev (2009) claims that the process of industrial recovery in Tajikistan was not followed by: mass renewal of capital stock; replacement of obsolete and worn out equipment and technology<sup>11</sup> with modern and advanced ones; and even without the absorption of abundant

---

<sup>11</sup> Khonaliev (2009) states that currently nearly 90 per cent of the country's industrial equipment and technology are outdated.

labor. Appendix A2 reveals that more than half of the main industrial products of the country belong to the light industry, and that is processing agricultural products. Though in fewer amounts, Tajikistan used to assemble vehicles for civic transportation, but due to the sector's low competitiveness its production has been abandoned. Moreover, the amount of the produced oil and gas is insufficient to meet the needs of the economy.

#### 4.3.1 Industrial location in the country and its structural changes during the independence

The level of industrial development in the provinces, as well as countrywide is in rock bottom. The huge differences between industrial decline rate of 1991-1997 and its growth rate during the 1998-2011 have been recorded not only on national level, but on provinces as well. Comparably, sharp decline of industrial output took place in Dushanbe, wherein the share of which in the country's gross industrial output shrank from 25.9 per cent in 1990 to 11.6 per cent in 2011. Only, Khatlon province seems did well (see Table 4.4).

Table 4.4  
*Shares of individual territories of Tajikistan on the main industrial indicators (%)*

	Population rate		Industrial output		Industrial workers		Growth (+), decline (-) of shares in 1990-2011 (%)		
	1990	2011	1990	2011	1990	2011	Population rate	Industrial output	Industrial workers
Tajikistan	100	100	100	100	100	100			
GBAO	3.1	2.6	0.45	0.91	1.3	0.5	-0.5	+0.46	-0.8
Sughd	30.5	29.4	35.8	30.3	40.4	40	-0.9	-5.5	-0.4
Khatlon	33.4	35.4	18.4	39.4	15.6	19.7	+2	+11	+4.1
Dushanbe	11.6	10.4	25.9	11.6	30.0	21.3	-1.2	-14.3	-8.7
RRS	21.3	22.8	19.5	14.2	12.7	18.3	+1.5	-5.3	+5.6

*Note:* The researcher updated 2011 indicators by data retrieved from ASUPRT (2012).

*Source:* Khonaliev (2009).



Khonaliev (2009) asserts that most of the country's industries are located irrationally. For instance, 89.8 per cent of the fuel and energy complex, and 74.2 per cent of chemical industry is concentrated in the Khatlon, mining in the Sughd; while 94.5 per cent of non-ferrous metallurgy are located in the RRS and significant amount of engineering and woodworking industries in Dushanbe (42 and 79.7 per cents respectively).

The level of industrialization of a particular province indicates the level of income and wellbeing of its inhabitants. In this sense the researcher would claimed that the GBAO is the most disadvantaged province in Tajikistan in terms of all economic indicators.

Furthermore, the nature of regional and structural shifts in the industry is linked to objective interconnectedness, balance, and proportionality of the all factors of regional industrial reproduction to ensure intensive expansion of this process (Karimova, 2012). According to Karimova, industrial economics – is a complex system, characterized by interconnectedness and integrity of its scopes, therefore structural shifts taking place in the industrial sector influences other sectors of the economy. This gives a reason to assert that structural changes in the industry have positive and negative characters as well. The transformation rate in Tajikistan's industry over the last decade comprised 1.78 per cent per annum, while it constitute 0.5 per cent in the developed countries<sup>12</sup>. Tragically, Table 4.5

---

<sup>12</sup> The higher the rate of disorders of the structural balance, the greater the rate of the transformation and the long lasting of its instability.

reveals the sharp changes in the speed of transformation of structural changes in the country's industry during the period of 2005 and 2010.

Table 4.5

*The rate of structural transformation of Tajikistan's industry (2005-2010, %)*

	<b>Tajikistan</b>	<b>GBAO</b>	<b>Sughd</b>	<b>Khatlon</b>	<b>Dushanbe</b>	<b>RRS</b>
Industrial output	7.73	9.37	19.38	15.39	6.93	4.82
Main funds	6.19	2.31	7.05	1.71	3.9	1.12
Industrial workers	5.32	5.81	7.87	3.11	5.56	6.49

*Source:* Karimova (2012, p. 16).

Table 4.5 shows that the greatest changes in industrial structure occurred in Sughd province and analysis of its speed indicates that the velocity of transformation depends on how deep is the industrial crisis.

#### 4.3.2 Challenges of the Tajikistan industry

We now categorize the challenges of the Tajikistan industry into two levels, one would be internal and another one external.

According to the GoT (2004), the collapse of the USSR had left serious problems to the Tajikistan industry including: lack of financing of the state owned enterprises; high level of outdated technology and production equipment; uncompetitiveness of produced product; unattractiveness of the national economy to foreign direct investments (FDI); lack of qualified specialists in the industry; unoccupied nature of the local market with local producers; lack of scientific personnel in the industry related research institutions; and low level of labor wages. The final reason is the main problem. To the question of “Are there any jobs in Tajikistan?” we found an answer in Asia Plus (2013) that there are indeed

jobs in Tajikistan, but the problem is low wages. This causes economically active population to migrate mostly to Russia wherein the average labor wage is 10 times higher than in Tajikistan. The average salary in Tajikistan is equal to 60-70 euros. Next is the shortage of the electricity in winter seasons. According to the GoT (2004) almost 70 per cent of the county's economy is being left with no electricity during this season, which annually brings 3 per cent loses of the country's GDP.

As for the external challenges of the Tajikistan industry, the researcher considers the following factors: liberalization of trade regimes and abolishment of import restrictions, subsequent membership to the WTO and alignment to its requirements. This raises the issues of competitiveness amongst participants of foreign economic activities and fueling the national economy with increasing output of the domestic industry. Furthermore, incomplete regional integration with the CIS countries that contributes to infrastructural obstacles as well as the presence of economic giants such as China in the neighborhood bares the issue of competitiveness in the frontiers (GoT, 2004).

#### *4.4 Tajikistan's industrial policy: in search of similarities with the HPAEs*

During the reign of the USSR Tajikistan used to experience the Marxist model of economic development. The sectoral industrial development had been established on the state ownership principles, wherein industrial manufacturing, investments and means of production had been subjected to central regulation.

Moreover, the state monopoly in each sector of the economy and its regulation over the market mechanism had been pervasive (Khonaliev, 2009).

Nevertheless, the adoption of the “Medium-term economic adjustment and reform program” in 1998 under the World Bank’s and the IMF’s reformative programs is a major proof that the country had shifted to the track of the neoclassical model of economic development. For instance, the GoT began to liberalize trade, removed informal restrictions on foreign exchange deposit withdrawals from the NBT, and modified customs tariffs regime in line with the WTO recommendations (IMF, 1999).

Tajikistan as a participant of the Paris Declaration in its National Development Strategy for 2005-2015 (NDG) and subsequent Poverty Reduction Strategy Papers has evidently prioritized the development of its industrial sector (NDG, 2005). The GoT preferred to develop its industry based on the neoclassical interpretation. It motivated and encouraged the private sector through undertaking privatization and providing respective fiscal preferences.

In support to the concept of privatization in Tajikistan, Hakimov (2004) claims that in the transformational period wherein the crisis is reigning, private entrepreneurship presents an innovative form of boosting national industry. Meanwhile, Mekhtan (2008a) disproves Hakimov’s argument claiming that until 2008, 95 per cent of the 1,800 small-scaled and medium and large-scaled enterprises had been privatized and only 68 per cent had the functioning status.

An interesting point is that among those privatized enterprises except small - scaled industrial enterprises the medium and large ones faced failure (Mekhtan, 2008a). For instance, as of April 2014 out of 1100 privatized medium and large scaled industrial enterprises 328 enterprises had no functioning status. Besides, in 2013 out of 90 denominations of most important products that were produced locally (see Appendix A2) only 35 of them had increased their volume. The rest 40 and 15 denominations respectively had no sense of increase and production at all (Avesta.Tj, 2014).

The remaining 5 per cent (or 69 energy and industry related state owned enterprises and research institutions) of unprivatized large scaled enterprises are functioning under the supervision of the GoT (GoT, 2006). Figure 4.5 shows the proportion of nongovernmental industrial sector in the country.

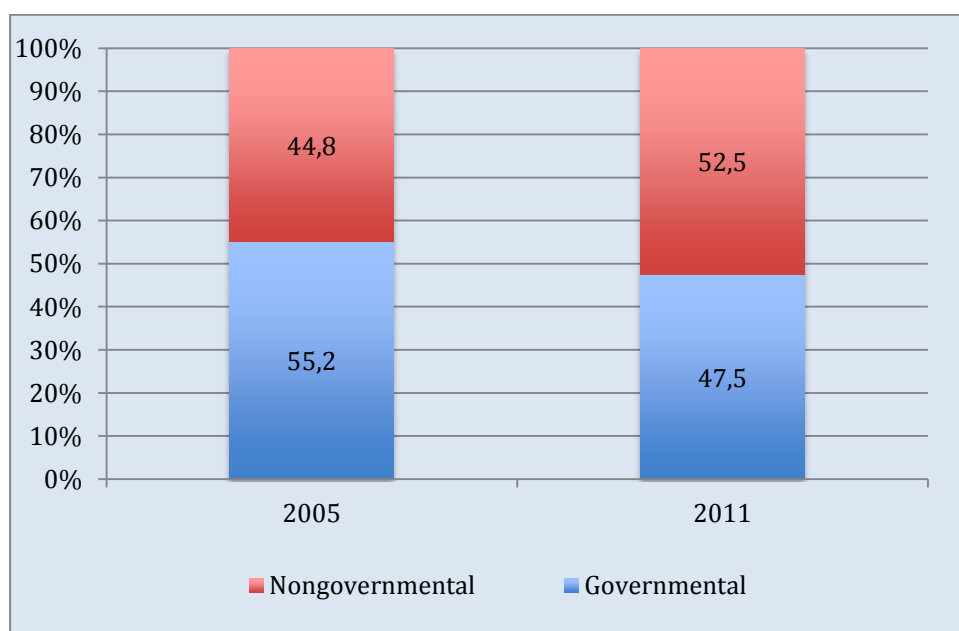


Figure 4.5 *The proportion of nongovernmental industrial sector in Tajikistan (percentage)*

Source: ASUPRT (2012b).

Having transferred such lion's share of its industry to the private sector within short time-span, the country owes to the conducted structural adjustment program mentioned at the beginning of this section. If Mekhtan's (2008a) assertion is the outcome of the conducted reforms, then it is right time to question the neoclassical orthodox. Its adherents neither in the case of the HPAEs nor in Tajikistan provided clear mechanisms of how the formers did conduct or latter supposed to conduct such sort of decentralization successfully. Although, the revisionists (Statists and Institutionalists) had not explained respected mechanisms in the case of HPAEs, to some extent they acknowledged the business systems and policy linkages employed in the countries concerned (see sections 2.2 and 2.3). Hence, if Tajikistan would have set up such conditions while implementing privatizations it could have performed much better.

While drawing a clear picture of the shrinking state participation in the country's industrial sector (see Figure 4.5) and its obligations before the WTO<sup>13</sup>, the researcher does not exclude the possibility to set up bureau-pluralistic collusion between respective state agencies and industries being further privatized. According to Suzuki (2013) who agrees with Johnson's (1982) proposal the bureau-pluralistic collusions had served to identify competitive industries and led them up to the certain level of prosperity in Japan. Back to the main point, while taking into account the nature of the remaining state owned enterprises<sup>14</sup> the

---

<sup>13</sup> Tajikistan's obligations before the WTO are decreasing the space for the state to be active in the economic life of the country. This will be discussed in chapter five.

<sup>14</sup> Here we refer to Mekhtan's (2008a) and GoT's (2006) provided definition of large scaled energy and industrial enterprises and research institutions.

researcher asserts that being privatized under this condition they would have become competitive and comparably could have performed better.

In describing the chief problem of Tajikistan's export, the GoT (2006) claims that it is dominated by the export of raw materials and primary products, particularly 83 per cent of it is made up of primary aluminum (75 per cent) and ginned cotton (8 per cent). Having this scenario as a case it is the best opportunity to argue the Neoclassicals' proposal *per se* the HPAEs allegedly squeezed maximum profits based on their comparative advantages (see section 2.1). Consequently, if this is the way Tajikistan is squeezing its profits then there is no point for making further commitments. Fortunately, this is not the end of the story. According to Mekhtan (2008b) to overcome the country's trade imbalance, the GoT started to emphasize on diversification of its export potential through processing of these particular materials until the end products within the country.

In particular, the GoT adopted the "Program of Development of the Light Industry in the Republic of Tajikistan for the period of 2006-2015". The program provides establishment of cottage industries in the regions with abundant natural recourses. This enables the state to reduce the gap of irrational settlement of the country's light industry. Moreover, in order to reduce the transportation cost of the ginneries and to encourage further value chain of the cotton in the country the program implies establishment of new ginneries adjoin to the cotton fields. It also provides fiscal incentives, such as doing away with sales tax and value added tax (VAT) on production of cotton and cotton made products (GoT, 2006).

With regards to the Tajik aluminum sector, which makes up 1.6 per cent of its world production, which is fully under state control, the GoT (2007) has set out certain objectives to enhance the capacity of the aluminum processing industry and production of competitive finished aluminum goods. To protect them from over-imports the GoT provides preferential bank loans and takes special anti-dumping and countervailing measures.

In addition to these measures, the state is assisting to establish new value chains of aluminum goods within the country, which could potentially substitute their imported analogues. The program also implies the creation of permanent councils comprising public and private aluminum manufacturers. These councils are supposed to be empowered to analyze the world market and provide domestic producers with necessary information about the demand in the world market, organize promotion and protection of the producers of local aluminum goods abroad (GoT, 2007).

The undertaken paces imply that to some extent the GoT contrary to the neoclassical principles is employing industrial policies. However, in search of similarities with the HPAEs it seems the state draws its attention more on aluminum and cotton industries. This implies for “picking the winners up strategies” practiced *per se* in Korea and Taiwan (see section 2.2). If so, to succeed this strategy deriving some positive lessons from the study carried out by Natsuda and Thoburn (2014) on the possibility to use such policies within the WTO regime is the right approach.



The chief document that reflects the state's policy in support of overall industry in the country, is the "Program of the Development of Export of the Republic of Tajikistan for the period of until 2015" (PDERT). The PDERT was designed to establish mechanisms of provision of financial, fiscal, information-consultative, marketing and other types of governmental assistance to the local exporters. Besides, with taking into account the country's potential to develop an advanced and competitive industry, the program gives priority to the exports based on the country's comparative advantages with emphasize on their value chains.

The PDERT has three stages of implementation. The first is the "Establishment of institutional and organizational fundamentals, which boost exports (2006-2008)". The second is "Energizing of exports and transition to diversified exports (2009-2011)". The third stage is "Diversification of exports and radical modification of its structure (2012-2015)". To achieve all these targets, the PDERT proposes a set of measures to be undertaken, including: establishment of the National Commission on Promotion of Exports at the GoT; establishment of Republican Association of Exporters (comprised of exporters, investors and respective government agencies' representatives); and formation of Innovation Fund of Export Development.

Although, these bodies have their own commonalities with those of effectively performed respective committees and councils in the HPAEs (see section 2.3) due to unclear sources of financing some of them have not been

emerged. Hopefully, there is an active nongovernmental institution that has some similarities compliant to those of in the HPAEs even with broader scope of responsibilities. For instance, the Chamber of Commerce and Industry of Tajikistan (CCIT) is empowered to take part in the country's economic integration into the global economy, through unification of private entrepreneurs and enterprises (domestic and foreign), trade and industry related associations and respected government bodies<sup>15</sup> (Charter of CCIT, n.d.).

According to CCIT's Charter (n.d.) it has been vested with responsibilities to set up scientific-technical links with foreign countries that could boost private entrepreneurship in the country. Then the researcher may raise an argument that having almost no scientific institutions in its membership (CCIT, 2014) and no representatives of science in its Council<sup>16</sup>, the absorption of local scientific achievements by national firms seems impossible. Even the process of how this institution sets up international scientific linkages is undermined.

Nevertheless, in order to reach the study's objectives it would be ideal to answer the following question.

#### 4.4.1 What Tajikistan's political economy looks like? (*Perspectives of the Neoclassical and Revisionist theories*).

In the beginning of the section 4.4 the researcher stressed that since the

---

<sup>15</sup> According to CCIT (2014), as of January, 2014 CCIT had 598 members representing different scopes of the country's economy.

<sup>16</sup> This was the case in the HPAEs (see section 2.3).

independence Tajikistan changed its political economy giving more emphasis to the market based approach. It must be understood that in the current world economic system small economies like the one of Tajikistan's have less options to which policy to adhere. This usually happens despite being aware that the sole proposed policy option might be harmful in the long-run. Therefore, in the 1990's being politically, economically and financially disadvantaged the country had no choice but rather to turn to the IFI's including the World Bank and the IMF. It is obvious that the latter in turn put their own conditions (based on neoclassical interpretations) into force (see Chapter Three).

As mentioned earlier in order to meet those conditions Tajikistan conducted several economic reforms that were designed based on the neoclassical theory's interpretations. This includes privatization of industrial enterprises, liberalization of the country's trade and financial regimes <sup>17</sup> and the implementation of other decentralizing measures that to a significant extent abolished the state's options to regulate market.

However, it would be of greatest mistakes if one claims that Tajikistan's political economy is fully compliant to the neoclassical theory's interpretations. This is mostly because the state still takes active participation in economic life of the country. Although, it has privatized significant number of industrial enterprises, it possesses and holds decisive shares of big energy and industrial enterprises (see Figure 4.5). Another instance is that although in a less amount the

---

<sup>17</sup> These issues will be subject to detailed discussions in Chapter Five.

state provides subsidies to the state owned industrial enterprises<sup>18</sup>.

As the researcher has found in the GoT (2007) and Turaeva (2012) the state also practices anti-dumping and countervailing measures and provides preferential loans favoring aluminum and cotton industries. Speaking of cotton, before the global economic crisis of 2008-2009 the prices for this product reached their peak in the world market. Hence, it made its exports in the raw form much more profitable rather than its realization in the domestic market. Consequently, shortages of raw cotton in the domestic market interrupted the local manufacturers' businesses and decreased the state budget's revenues from the direct taxes. This caused the Ministry of Energy and Industry of the RT to come up with a proposal to the GoT to impose quantitative restrictions on exports of raw cotton (Turaeva, 2012). Generally speaking, from these perspectives it is quite safe to claim that despite taking neoclassical course, Tajikistan's political economy does not fully match to those of the neoclassical theory's interpretations on the HPAEs' success.

The researcher would also assert that the country's political economy is also inconsistent with the interpretations made by the revisionists on the HPAEs' industrial success. There are several reasons that the researcher stands for this point.

The first and most important is the country's growing adherence to the neoclassical model of economic development. Financial and trade liberalization are not features appropriate to the revisionists interpretations in the HPAEs. As it

---

<sup>18</sup> Information about state subsidies will be provided in the following chapter.

is stipulated in the sections 2.2 and 2.3 particularly financial and trade sectors, the main components and tools of employing industrial policies in the HPAEs were under strict government control. For instance, due to quantitative and qualitative restrictions on imports and providing preferential loans, the HPAEs were able to conduct the “Picking the winners” strategies. Even though some GoT’s actions are in favor of cotton and aluminum industries and quite similar to the “Picking the winner” strategies employed in the HPAEs; these similarities are undermined due to the undergoing liberalizations in the country. The fact that 83 per cent of Tajikistan’s exports are comprised of export of aluminum and cotton does not necessary stand in support to the use of the “Picking the winners” strategy. This is because by conducting such strategies particularly Japan and Korea were able to establish big industrial and financial businesses (conglomerates) such as *Keiretsu* and *Chaebols*. However, in the case of Tajikistan there are no such big diversified business groups.

The second reason is an existence of the state-owned industrial enterprises in Tajikistan. Here, the issue is that the revisionists did not claim that the HPAEs possessed industrial enterprises, rather there were private enterprises, but with the states guiding their economic decisions<sup>19</sup>. Besides, contrary to the Institutionalists, there is no policy linkages between the GoT and already privatized enterprises. Or in other words there is no binding obligations before the enterprises so that the GoT could guide their economic decisions.

---

<sup>19</sup> Economic decision-making is the only factor that divides the revisionists into two groups: the Statists and Institutionalists (see Table 2.1).

The third reason is probably relevant to the previous one. It touches on issues concerning the absence of “Institutional framework” in Tajikistan. Although, it has been mentioned (see section 4.4) that the CCIT has the similar responsibilities like those of Deliberation Councils’, it however lacks important forcing tool. This implies that the CCIT is a nongovernmental organization; hence it does not have the authority, for example, to impose any obligations on its members (private entrepreneurs or enterprises) and any public entity. Lacking in such regulatory tool the CCIT is just a platform for sharing with information. Therefore, from this stance Tajikistan does not match with revisionists’ interpretation’s on the HPAEs’ industrial success as well.

In sum, a comparative analysis of Tajikistan’s political economy with those of the Neoclassicals’ and Revisionists’ (Statists and Institutionalists) interpretations on the HPAEs’ political economies revealed that Tajikistan is not fully compliant with at least one of them. It seems rather the GoT’s economic policies partially meet the Neoclassicals’ interpretations. However, some other indicators match those of the revisionists’ interpretations simultaneously or *vice versa*.

Nevertheless, whatever the economic and industrial situation Tajikistan is currently facing, it is just a matter of fact that it is moving rather towards open market economy. The sole and firm evidence for this statement is that the country has joined the WTO. Hence, it would be ideal to look into the industrial standpoints of the country’s integration to the WTO *per se* what policy tools has

been preserved by the GoT before the WTO and what has been abandoned. The following section sheds light onto these issues.

## **CHAPTER FIVE**

### **5. TAJIKISTAN's INTEGRATION TO THE WTO: INDUSTRY RELATED REFORMS**

This chapter analyses the industrial standpoints of Tajikistan's integration into the WTO *per se* the country's alignment to the TRIMs, GATS, SCMs and TRIPs. It also identifies the scope to emulate the HPAEs' industrial experience for Tajikistan within the analyzed regime.

On December 2012, Tajikistan has been accepted to the WTO membership and it took eleven years to comply its legal base with the WTO requirements. According to the Ministry of Economic Development and Trade of the Republic of Tajikistan (MEDT) there have been more than 92 socio-economic legislative acts adopted and amended. Moreover, being a country with transitional economy it has retained the status of developing country before the WTO (MEDT, 2014).

#### ***5.1 TRIMs and GATS***

In Tajikistan, both foreign and local investors have the same classification that is "investors". This is because of recently adopted Law "On Investments" (2007) which is the outcome of the GoT's efforts to become a WTO member. The most important difference of this Law from its antecedent Law (1992) is that it provides for both local and foreign investors equal rights with no discrimination (SCIMSP & UNDP, 2012). The previous Law "About Foreign Investment in RT"



(1992) contained performance requirements, which are banned by the TRIMs. For example, foreign company willing to open its affiliate in Tajikistan was obliged to hire 70 per cent of its personnel locally.

Although, current Law “On Investment” (2007) abolished such requirements, some of them have been preserved for foreign companies participating in explorations and mining operations on the Tajik territory. Furthermore, the GoT used to conduct a “preliminary expert revision” of huge investment projects with a foreign capital participation. It also required “scientific expertize” of economic feasibility and technically innovative component of the new enterprises being established. Nevertheless, the respected Presidential Decree has diminished these requirements (SCIMSP & UNDP, 2012).

Until recently export activities in Tajikistan have been subject to strict control. Exporters were obliged to repatriate all financial means gained from exports of goods and services to their domestic accounts in Tajikistan. Moreover, exports of main exporting products (copper, fermented tobacco, aluminum and its products, cotton and its products, minerals, chemicals *etc.*) that constitute 2/3 of the country’s exports required full prepayment. These conditions were applied to stabilize the country’s trade turnover and to ensure permanent inflow of the foreign exchange. Nevertheless, these requirements have been questioned by the WTO members and in turn, abolished by Tajik authorities (WTO, 2012).

Concerning privatization, either foreign and local companies or individuals have equal rights to participate in the privatization of state property.

However, when it comes to industry or service related object, before privatizing its property the government puts forth compulsory obligations (related to the improvement) to be met within first 2-3 years. In case those obligations are not met, the GoT receives the rights to return the sold object (Law of the RT, 1997a, #464). However, objects like water supply system and irrigation infrastructure, hydropower plants, aluminum factories, scientific and experimental-industrial enterprises of Academy of Science of the country, postal companies, television and radio broadcasting centers are not subject to privatization (GoT, 2009).

According to Law of the RT “On Banking Activity” (2009, #524), foreign banks and their affiliates are allowed to provide banking services on the Tajik territory and granted with legal rights equal to those of locals’. NBT used to set up the ceiling for foreign capital component in the established foreign bank’s branches and controlled the increase in their authorized capital and provision of special capital. However, in order to establish a fair competitive environment compliant with the GATS requirements this Law abolished the use of such monetary policy. Currently the banking sector has 15 banks, 2 foreign affiliates and 119 microfinance institutions operating in Tajikistan (NBT, 2014).

The next issue of the study’s concern is “Investment incentives”. They are taken in the form of tax and customs duty exemption and provisioned in the Tax Code of RT (2012, Article 211) and Customs Code of RT (2004, Article 345). Consequently, no matter what source of capital they have and depending on their capacities, the new industrial enterprises being established in Tajikistan will be

granted with VAT exemption during first 2-5 years (Tax Code of RT 2012, Article 145).

Yet from the perspective of industrial policy, such combination of incentive provision on national level has bound the GoT's hands from using them as a policy tool to encourage industrial activities in the desired scopes of the economy.

## *5.2 SCMs*

Tajik authorities assert that Tajikistan has undertaken such an industrial policy that provides no protection to any economic activity within its territory. Neither government nor its bodies provide direct or indirect subsidies to the exporters and seemingly they are not even planning to have one. Moreover, according to the authorities, the country's legal base is fully consistent with the SCMs requirements (WTO, 2012). However, in respective articles of the Tax and the Customs codes (as mentioned before) this study has determined that industrial sector can enjoy the tax and customs incentives for a certain period of time. This in turn could possibly lead to the export growth, hence being disputed by the WTO members.

To disprove this allegation, Tajik representative to the WTO claims that these incentives have nothing to do with the accomplishment of government export requirements, thus they are not subject to disputes before the WTO. Although it is an insignificant amount, under the same principle, the GoT

subsidizes the state-owned enterprises operating in mining, oil discovering, and chemical and aluminum industries. Today, the latter is a locomotive of the Tajik industry and exports (MEDT, 2014).

Therefore, based on the mentioned principals, *Talco* (aluminum producing factory) receives a bunch of government support. For instance, the GoT freed the factory from paying VAT for the imports of raw materials, energy supply and equipment. It has been also granted with discounts on electricity supply prices and customs duties. Moreover, sales in locally produced primary aluminum alongside with cotton (no matter in local or foreign markets) have been exempted from paying VAT against imported analogues. The WTO members have argued provision of such incentives to the locals and requested Tajikistan to establish equal tax levels for goods produced locally and abroad with no discrimination. In turn Tajikistan has responded positively (WTO, 2012).

As specified by the GoT (1999, #131) and Law of the RT (1997b, #451), Tajikistan used to impose quantitative restrictions on imports of ethyl alcohol and spirits in order to protect and maintain its local production. However, the WTO commission to Tajikistan claimed that such an ISI policy has no legal base and inconsistent with the WTO requirement, hence ought to be omitted. In 2012 these import restrictions have been abolished with Presidential Decree #1270.

Government procurement – until 2006 the government bodies had the right to pick up suppliers of goods and services amongst those of locals to accomplish the procurement. If for example, there were sufficient local candidates

applied to accomplish the proposed procurements, or if procurements were being accomplished within Tajikistan's territory then the procuring entity would give the priority to the domestic suppliers with condition to utilize domestic resources (Law of the RT, 1997c, #511). Yet the new Law on procurement has abolished this regulation in compliance to the United Nations Commission on International Trade Law (UNCITRAL). Hence, it motivates and encourages competitive participation of both domestic and foreign suppliers through provision of equal rights with no discrimination clause (Law of the RT, 2006, #168).

However, taking into account uncompetitiveness of the domestic enterprises before those of abroad, motivation and encouragement of the domestic enterprises to participate in the tenders is under question.

### 5.3 TRIPs

All WTO members are obliged to set forth the minimum level of protection of the IPRs, hence being a participant of the TRIPs agreement means that “...*Tajikistan is required to have effective legislation in place to secure such level of protection*” (International Trade Center, 2013, p. 9). In this perspective, analysis of Tajik legal base reveals that state protection of the IPRs is contemplated starting from the country's Constitution (Article 40) to respective laws and the GoT's decrees. Beside the TRIPs, the country is participating in

several international and regional agreements and conventions that define globally the position of the IPRs and industrial property rights *per se*<sup>20</sup>.

Therefore, almost all of the components of the TRIPs, including: trademarks; industrial designs; copyrights; geographical indications; patents and trade secrets have met the level of required protection in Tajikistan. However, the researcher found it worthy to mention that Law of the RT “On Inventions” (2004, #17) which does not recognize algorithms and computer software as an invention, hence they are ineligible to be protected by patents. Having such an opportunity neither domestic companies nor foreign companies are willing to make their business in this field.

#### *5.4 Emulations of the HPAEs’ Industrial Policies for Tajikistan: possible or impossible?*

The developing community has been anticipated to emulate a proper model of the HPAEs’ industrial development to follow (Lall, 1994). For sure, this study has been pursuing the same objective, but specifically for Tajikistan’s industry. Therefore, being familiar with the country’s obligations before the WTO makes the study’s task easier when it comes to finding out what particular strategy is still viable and what is impossible to derive to.

While conducting theoretical analysis the study has come across the sole consensus between employed theories (see section 2.1), that they did not deny the

---

<sup>20</sup> For more information about country’s participation to the international conventions and agreements regulating intellectual property rights please refer to the WTO (2012, pp.106-107).

use of the ISI strategy in the HPAEs. The researcher asserts that the ISI laid firm underpinnings for overall industries in the respected HPAEs to be competitively ready for the openness (see Chapter Two). However, in spite of existing consensus, today, under the SCMs it is impossible for Tajikistan to emulate the concerned strategy. Though it is already taking some measures inconsistent to the SCMs and close to the HPAEs experiences (see section 5.2).

Our further concern is whether Tajikistan can enjoy the use of policy loans directed to the targeted industries or not? In other words can the GoT practice pick up interventions or not, as it was the case in Korea (see section 2.1)? Generally speaking targeting industrialization is restricted by the GATS, yet Natsuda and Thoburn (2014) have found the loophole to bypass it. Despite this, taking into account the country's financial system (see section 5.1) and financial ability the answer is no, as Tajikistan is incapable to use massive policy loans. Now, speaking of provision of fiscal incentives, it does not depend on the GoT, as its equal provision has been endorsed in upper instance legislation. In a nutshell, the GoT's hands are tied (see section 5.1).

*“[T]o decide what, when, and how much to produce which strategic industry to favour”* (Amsden, 1989, pp. 8-12) through the use of subsidies (see section 2.2) seems to be also inconsistent with the SCMs requirements, but we have been witnessing that the GoT although in less amount have been practicing them. However, practicing subsidies does not mean that the GoT uses the exact way some HPAEs used to, *per se* dual strategies. Hence, if the country is

somehow maneuvering within the SCMs' regulations it has an opportunity to get familiar with this strategy. At least this strategy could be imposed on the state owned enterprises.

Furthermore, if to follow Greschenkron's (1962) and Amsden's (1989) assertion, particularly their argument on the HPAEs (see section 2.2), then Tajikistan's full compliance to the TRIPs excludes the opportunity to develop by learning (it was the case in the HPAEs) rather by inventing or contributing to innovations.

Besides, if we dare to answer the frequently asked question whether or not compliance with the TRIPs will increase the inflow of FDI? In the case of Tajikistan the researcher shall refer to the statement made in SCIMSP and UNDP (2012). It says, attraction of foreign capital into Tajik economy have not yet established massive and sound investment sector and for this stage of development of investment activity weak national technology park is peculiar.

The researcher is inclined to believe that the only interpretation of the HPAEs' industrial development that is up to date compliant with all the industry related WTO agreements is that of Institutionalists' (see section 2.3). Therefore, it is possible for Tajikistan to derive some positive implications from Weiss (1995) and Evans (1995).

Notwithstanding, whether the WTO membership for Tajikistan is beneficial or disadvantageous is a sensible question. Evidence from Kyrgyz



Republic, the first Central Asian state that has been accepted to the WTO in 1998 is not vigorous (Pomfret, 2007). However, Tajik authorities are positive about Tajikistan's accession into the WTO. They assert that Tajik goods and services will attain access to the world market (International Trade Center, 2013).

The subsequent chapter wraps up the entire study and provides some policy recommendations and suggestions for further studies.

## **CHAPTER SIX**

### **6. CONCLUSION AND RECOMMENDATIONS**

This chapter concludes the entire study by employing the extracted essence that appropriately responds to its objectives and questions (see sections 1.3 and 1.4).

#### *6.1 Conclusion*

Although an opportunity to emulate the HPAEs' industrial development is narrowed down by the WTO's regulations, Tajikistan still has plenty of legal room to employ those practices. To underpin its main argument this study sought to determine the sole recipe for the HPAEs industrial development and investigate the changes that the WTO has brought into the world's political economy. The study also described the current economic and industrial state in Tajikistan and analyzed the country's political economy for its resemblances with those of the HPAEs'. Afterwards, it searched for available space for the GoT to employ the retrieved lessons from the HPAEs' industrial development experiences within the WTO's regulations.

In fact, the HPAEs had successfully chosen the right path in heading towards economic and industrial prosperity so that further the way they did it become a subject of imitation amongst developing countries. With the purpose to demonstrate a coherent explanation of their industrial success, this section is an

attempt to address the question of “*why the HPAEs’ economic out-performance gained the title of miracle?*”

Based on reviewed literature the study found that the HPAEs’ economic and industrial prosperity has been interpreted by the three different orthodoxies *per se* the Neoclassicals, Statists and Institutionalists. The study determined that the main subject of debates between these theories is about roles of the states played in the economic life of the HPAEs. This implies that the economic out-performance of the HPAEs occurred whether due to the *laissez faire* market principals or the pervasiveness of the states.

Relying on its findings the study elaborated an argument that the HPAEs’ miracle was entitled to it due to the eagerness of the states to achieve their economic and industrial targets. These achievements were made possible because of the well-integrated chain of the states’ industrial policies, which occupied spheres such as: (1) financial sector; (2) trade sector; (3) the IPRs; (4) the most important influencing the business’ decision making, and others. For example, it would be hard to imagine the emergence of Japanese *Keiretsu* and Korean *Chaebols* without preferential loans, the ISI and export oriented strategies provisioned by the states, while the *laissez faire* economy prohibits the state in question to conduct such policies (see sections 2.1; 2.2).

Contrary to the Neoclassicals, the Revisionists provided historical evidence that the HPAEs had developed their industries as a group of “Latecomers”, wherein the states played a vital role in borrowing inventions of

advanced countries rather than making them on their own (see section 2.2). The fact that the Neoclassicals themselves recognized that Korean and Taiwanese states were favoring some industries gives extra credits to the Revisionists and brings the validity of the former's assertion under doubt (see section 2.1).

Generally speaking the study has found more pros rather than cons in favor of the Revisionists' interpretations about the HPAEs economic and industrial development. In a nutshell, the economic out-performances had been achieved because of the active participation of the HPAEs' states in their economic decision making processes.

However, since the 1990s the HPAEs embarked on neoclassical reforms that liberalized financial and trade sectors and aligned their political economies to the requirements of the neoclassical-based international institutions, such as the WTO, the World Bank and the IMF. Consequently, these events caused the neoclassical theory to become more robust from one side and gradually diminished the states power from another.

The following answers the question of *"how the world of political economy has changed with the emergence of the WTO?"*

The WTO has emerged as part of the augmented "Washington Consensus". The latter just before the Asian Financial Crisis of 1997 with its neoliberal reforms had already been diminishing the *dirigisme* in Latin American region. Besides, the study has shown that until the 1990s the HPAEs have been practicing

industrial policies (see Chapter 2). Hence, the main concerns in the world particularly in developing countries evolved in respect to changes in rules of international political economy that the WTO has brought into. In particular the main concerns are about the use of industrial policies that might favor domestic producers<sup>21</sup>.

Therefore, based on its findings this study argues that for those that are considered late<sup>22</sup>, the accomplishment of the Uruguay Round of multilateral trade negotiations<sup>23</sup> had limited the space for their states to maneuver in order to implement industrial policies. The study backs up its argument on analysis of the four WTO agreements *per se* including TRIPs, TRIMs, SCMs and GATS. It has revealed that these agreements are very reluctant to the use of industrial policies within the WTO member countries. For instance, protections of the IPRs under the TRIPs have limited any WTO member states' ability to utilize patented product or technology, which was the case in the HPAEs (see section 2.2). Speaking of the TRIMs its ban on "*performance requirements*" has swept away the idea of protecting an infant industry, which served as a precondition for the development of domestic industries in the HPAEs. In addition to the TRIMs, the GATS went beyond and occupied trade in services as well. Another example is that the SCMs reduced the state's ability to employ export-oriented industrialization and the ISI strategies basis of which are the governmental subsidies and countervailing measures.

---

<sup>21</sup> For instance, as the research revealed the HPAEs had succeeded with practicing such sort of policies.

<sup>22</sup> This refers to developing countries including Tajikistan.

<sup>23</sup> This round of negotiations has put fundamentals of the WTO.

With its non-discrimination objectives with respect to trade, the WTO and its agreements are the main advocates of equality amongst the members. However, comparing the diversity of so called comparative advantages of advanced countries and backward countries it is hard to believe that such inequality is about to be “equalized” within the WTO framework.

Hereinafter, the researcher concludes the study by backing up the study’s main thesis stipulated in the beginning of this chapter and answers the questions of “*what is the current economic and industrial situation in Tajikistan?*” and “*how much space still exists beyond the WTO regulations in order to imply the HPAEs’ industrial experience into Tajikistan’s economy?*”

Tajikistan is a relatively young country and for a short period of its independent existence it suffered from several political and economical shocks that negatively reflected on the country’s economy and industry *per se*. The study found that the country used to experience Marxist model of economic development and possessed comparably advanced industry. However, the collapse of the socio-economically integrated system of the USSR in 1991, and attempts for transition to the market based economy undermined the progressivity of the country’s industry and economy.

Despite of the fact that the country has converged to some of the pre-collapse<sup>24</sup> period’s economic indicators, the study has elaborated an argument that Tajikistan’s industry is situated in transformational crisis. In other words it is

---

<sup>24</sup> The researcher refers to the period of 1991 the year of the breakdown of the USSR.

deindustrializing. For instance, the study found that as of 2010 contingent of the workers engaged in industrial sector constituted just 30.2 per cent of that of in 1991. Although the country's total industrial output has increased as compared in 1991, this mass production has not been accomplished by renewal of industrial machinery and other outdated equipment. This implies that the country's existing industrial capabilities are uncompetitive. Besides, the sector's contribution to the country's GDP has dropped almost two folds, which once again underpins the presented argument. Moreover, an analytical work on determining the structural changes within the country's regions revealed that beside Dushanbe, the capital city, almost all regions are experiencing negative structural changes. Because of this analysis, now, it is possible to determine country's disadvantaged regions (see section 4.3).

While analyzing Tajikistan's political economy from the perspectives of the Neoclassicals and Revisionists the study found that the country's economic system belongs to neither of them rather it has cocktail of both explanations. Moreover, this mix is added with some Marxist principals particularly state-ownership, which was not determined in the case of the HPAEs. This is from here the study argues that the country's transition to market based economy is yet to be fulfilled. If such cocktail of economic policies had faced success in Tajikistan, then the researcher could have coined relatively new approach of economic development.

In respect to the last research question the study claims that in the WTO

era it is practically impossible to emulate overall HPAEs' industrial policies into Tajikistan's economy and elsewhere in developing WTO member countries. However, it has found that Tajikistan still have the space to maneuver. The existing policy options are presented in the form of policy recommendations in the following section.

## *6.2 Recommendations*

Based on the results of the conducted study, the researcher proposes the following policy recommendation.

First, in taking into account the country's negative balance of payment and to overcome the challenges availing its negative development, it is necessary for the GoT to take measures encouraging industrial activities and promoting value chain of the existing industries throughout the country's disadvantaged regions by employing Shafaeddin's (2006) proposal (see section 3.3).

Second, although it depends on the level of the country's attractiveness to FDI<sup>25</sup>, the researcher suggests that the GoT, with full compliance to the country's national treatment, set out the requirements for the foreign firms operating in Tajikistan to make technology transfer and conduct R&D using local scientific personnel (see section 3.3).

Third, as the state preserved R&D institutions on its own balance of property, the researcher recommends that the GoT improve its financing scheme

---

<sup>25</sup> This is asserted by the UNCTAD (2006). Please refer to the section 3.3.



by utilizing “picking the winners up” strategy. This would allow scientific institutions to: 1) periodically determine the country’s comparative advantages; and 2) work towards improvement of the defined comparative advantages. Furthermore, the GoT would reach its objective to develop its own “National Innovation System” if it encourages establishment of independent R&D institutions through the implication of mechanisms prescribed in the country’s Law “On Innovation Activity”.

Although, the HPAEs had different business structures and definitely different from that of Tajikistan’s, they had had policy linkages similar to the Japanese Deliberation councils. This received best support from Chui and Lui (1998), Johnson (1997), Wiess (1995) and Evans (1995). Therefore the fifth recommendation is for the GoT to squeeze maximum positives from the strategy of “Embedded Autonomy” (see section 2.3) and set up state-business interconnectedness. Currently, none of the international organizations could stop any government to create active platform where both public and private sectors could gain their objectives through establishing a constructive communication and sharing of necessary information. A wonderful example would be enhanced activities towards establishment and empowering with greater authority of such bodies as stipulated in section 4.4.

Lastly, for countries like Tajikistan the use of Natsuda’s and Thoburn’s (2013) suggestions that developing counties having GDP per capita below USD 1000 are exempted to follow prohibition of the SCMs, would be a temporary remedy. Why it is temporary? because, once the country’s per capita GDP goes up

beyond USD 1000, the use of government subsidies directed to export promotion and import substitution would be impossible.

### *6.3 Further Studies*

This study is the first contribution to the development of the Tajikistan's industry, which strived to find out the space for policy intervention in order to implicate exemplar experiences of the East Asian countries within the WTO regime. Although this thesis has its own limitations, it has reached to significant and pertinent conclusion that encompassed the scope of the study and the GoT's development objectives. However, in order to extend the scope of the study and repudiate admitted limitations, future studies should focus on: (1) conducting field surveys of individual sectors of Tajikistan's industry that encompass practical opinions of business with regards to the pros and cons of the WTO membership; and, (2) seeking opportunities to derive lessons from industrial development experiences of other WTO members, including leading European countries.

## REFERENCES

- Amsden, A. (1989). *Asia's next giant: South Korea and late industrialization*. New York & Oxford: Oxford University Press.
- Amsden, A. H. (2003). 5. Industrialization under new WTO law. In J. Toye (Ed.), *Trade and development: directions for the 21st century* (pp. 82-99). Cheltenham: Edward Elgar.
- Asia Plus. (2013). Expert: Tajikistan Exhausted its Sources of Economic Growth. *Asia Plus*. Retrieved August 28, 2013, from <http://news.tj/ru/news/ekspert-tadzhikistan-ischerpal-vse-istochniki-ekonomicheskogo-rosta>
- ASUPRT. (2011). *Tajikistan: 20 Years of Independence. Statistical Digest*. Dushanbe: Agency on Statistics under the President of the Republic of Tajikistan, 2011.
- ASUPRT. (2012a). *Regions of Tajikistan 2012*. Dushanbe: Agency on Statistics under the President of the Republic of Tajikistan, 2013.
- ASUPRT. (2012b). *Tajikistan Industry 2012*. Dushanbe: Agency on Statistics under the President of the Republic of Tajikistan, 2013.
- Avesta.Tj. (2014). The output of Tajikistan's Industrial Enterprises Reached USD 590.2 million. *Avesta.Tj*. [Translated from Russian]. Retrieved July 1, 2014, from <http://www.avesta.tj/business/25303-s-nachala-goda-promyshlennye-predpriyatiya-tadzhikistana-vypustili-produkcii-na-590-mln200-tys.html>
- Balassa, B. (1988). The lessons of East Asian development: An overview. *Economic Development and Cultural Change*, 36(3), S273-S290.
- Berger, P. L., & Xiao, X. (1988). *In search of an East Asian development model*. New Brunswick and New Jersey: Transaction Publishers.
- Bradford, C. (1986). East Asian "models": myths and lessons. In J.P. Lewis & V. Kolab (Eds.), *Development Strategies Reconsidered* (pp. 115-28). New Brunswick: Transaction Books.
- CCIT (Chamber of Commerce and Industry of Tajikistan). (2014). *List of Enterprises-Members of CCIT RT Based on Scopes of Their Activities as of 1 January, 2014*. Retrieved April 22, 2014, from <http://tpp.tj/membership/>
- Chang, H. J. (1999, February). Industrial policy and East Asia: the miracle, the crisis, and the future. In *World Bank workshop on 'Rethinking the East Asian Miracle', San Francisco (16-17 February)*.

- Charter of Chamber of Commerce and Industry of Tajikistan (CCIT). (n.d).  
[Translated from Russian by the researcher]. Retrieved April 22, 2014, from  
<http://tpp.tj/theCharterofCCIRT>
- Chiu, S.W.K., & Lui, T. L. (1998). The role of the state in economic development.  
In G. Thompson (Ed.) (1998), *Economic Dynamism in the Asia-Pacific: The  
Growth of Integration and Competitiveness* (Vol. 2) (pp. 137-161). New  
York: Taylor & Francis.
- Correa, C. M. (2000). *Intellectual property rights, the WTO and developing  
countries: the TRIPS agreement and policy options*. London: Zed books.
- Correa, C. (2001). *Review of the TRIPS agreement: fostering the transfer of  
technology to developing countries*. Third World Network: Penang,  
Malaysia.
- The Customs Code of the Republic of Tajikistan*. (2004), December 2004.  
Dushanbe: Parliament of the Republic of Tajikistan.
- Evans, P. B. (1995). *Embedded autonomy: states and industrial transformation* (p.  
12). Princeton: Princeton University Press.
- Gay, D. R. (2007). *Beyond modernism and postmodernism: reflexivity and  
development economics*. (Doctoral Dissertation, University of Stirling, UK).  
Retrieved from <http://hdl.handle.net/1893/192>
- Gerschenkron, A. (1962). *Economic Backwardness in Historical Perspective*.  
Cambridge, MA: Harvard University Press.
- Gilbert, J., & Howe, C. (1991). Beyond "state vs. society": Theories of the State  
and New Deal Agricultural Policies. *American Sociological Review*, 56,  
204-220.
- GoT. (1999). Resolution of the Government of the Republic of Tajikistan from 7  
April, 1999, #131, Dushanbe: Government of the Republic of Tajikistan.
- GoT. (2004). Resolution of the Government of the Republic of Tajikistan from 1  
March, 2004, #86, Dushanbe: Government of the Republic of Tajikistan.
- GoT. (2005). Resolution of the Government of the Republic of Tajikistan from 31  
October, 2005 #422, Dushanbe: Government of the Republic of Tajikistan.
- GoT. (2006). Resolution of the Government of the Republic of Tajikistan from 4  
July, 2006 #299, Dushanbe: Government of the Republic of Tajikistan.

- GoT. (2007). Resolution of the Government of the Republic of Tajikistan from 30 December, 2007 #648, Dushanbe: Government of the Republic of Tajikistan.
- GoT. (2009). Resolution of the Government of the Republic of Tajikistan from 30 December, 2009, #705, Dushanbe: Government of the Republic of Tajikistan.
- Hakimov, A. (2004). *Economic Levers and Stimulus of Development of the industry in Tajikistan*. (Doctoral Dissertation, Tajik State University of Commerce, 2004, Dushanbe) [Translated from Russian by the researcher]. Retrieved October 9, 2013, from <http://www.dslib.net/economika-xoziajstva/jekonomicheskie-rychagi-i-stimuly-razvitija-promyshlennosti-tadzhikistana.html>
- Hartlyn, J., & Morley, S. A. (1986). *Latin American political economy: financial crisis and political change*. Boulder, Colorado: Westview Press.
- Hamada, K., Otsuka, K., Ranis, G. & Togo, K. (Eds.). (2011). *Miraculous Growth and Stagnation in Post-war Japan*. New York: Taylor & Francis Group.
- Hunt, D. (1989). *Economic theories of development*. New York: Harvester Wheatsheaf.
- International Trade Center. (2009). *Export Promotion and the WTO: A Brief Guide*. Geneva: International Trade Center.
- International Trade Center. (2013). *Business Guide on Tajikistan's WTO Accession Commitments*. Geneva: International Trade Center.
- International Monetary Fund (IMF). (1999). *Tajikistan Enhanced Structural Adjustment Facility Policy Framework Paper (1999–2002)*. Retrieved September 16, 2013, from <http://www.imf.org/external/np/pfp/1999/tajik/>
- International Monetary Fund (IMF). (2011). *Republic of Tajikistan: Debt Sustainability Analysis Under the Debt Sustainability Framework for Low Income Countries*. IMF.
- Jenkins, R. (1991). The Political Economy of Industrialization: A Comparison of Latin American and East Asian Newly Industrializing Countries. *Development and Change*, 22, 197–231.
- Johnson, C. (1985). The institutional foundations of Japanese industrial policy. *California Management Review*, 27(4), 59-69.
- Johnson, C. (1987). Political institutions and economic performance: the government-business relationship in Japan, South Korea, and Taiwan. In

- F.C. Deyo (Ed.), *The political economy of the new Asian industrialism* (pp. 136-164). Ithaca, New York: Cornell University Press.
- Johnson, C. (1999). The developmental state: Odyssey of a concept. In M. Woo-Cumings (Ed.), *The developmental state* (pp. 32-60). Ithaca, New York: Cornell University Press.
- Karimova, M. (2012). Regional aspect of structural shifts in the industry of Tajikistan. *Tajikistan and Contemporary World: Herald* [Annual Publication, Translated from Russian by the researcher] #1(30), Dushanbe: Strategic Research Center at the President of the Republic of Tajikistan.
- Kayumov, A. (2010). *Glaciers Resources of Tajikistan in Condition of the Climate Change*, State Agency for Hydrometeorology of Committee for Environmental Protection under the Government of the Republic of Tajikistan.
- Kuznets, P. W. (1988). An East Asian Model of Economic Development: Japan, Taiwan, and South Korea. *Economic Development and Cultural Change*, 36(3), S11-S43.
- Khokhlov, N.P. (2002). *Development of Tajikistan's Industry Based on Integration Processes: Case of integration with Russia*. (Doctoral Thesis, Russian-Tajik Slavonic University, Dushanbe, 2002) [Translated from Russian by the researcher].
- Khonaliev, Kh. (2009). *History of Development and Settlement of the Tajikistan Industry in 1924-2005 years*. (Doctoral Dissertation, Institute of Economic Research of the Ministry of Economic Development and Trade of the Republic of Tajikistan, Dushanbe, 2009) [Translated from Russian by the researcher].
- Lall, S. (1994). The East Asian miracle: Does the bell toll for industrial strategy?. *World Development*, 22(4), 645-654.
- Latifov, A. (2006). *Country Report - Tajikistan*. The 5th Meeting of the National Focal Points on Economic Research and Statistics. Annex V, (29 – 30 June 2006, Tehran, Iran).
- Law of the RT. (1992). “*About Foreign Investment in the Republic of Tajikistan*”, March 10, 1992. #498. Dushanbe: Parliament of the Republic of Tajikistan.
- Law of the RT. (1997a). “*On Privatization of the State Property*”, May 16, 1997, #464. Dushanbe: Parliament of the Republic of Tajikistan.

- Law of the RT. (1997b). “*About State Control over production and turnover of ethyl alcohol and spirits*”, May 15, 1997. #451. Dushanbe: Parliament of the Republic of Tajikistan.
- Law of the RT. (1997c). “*On State Procurement of Goods, Works and Services*”. December 12, 1997, #511. Dushanbe: Parliament of the Republic of Tajikistan.
- Law of the RT. (2004). “On Inventions”. February 12, 2004, #17. Dushanbe: Parliament of the Republic of Tajikistan.
- Law of the RT. (2006). “*On State Procurement of Goods, Works and Services*”. March 3, 2006, #168. Dushanbe: Parliament of the Republic of Tajikistan.
- Law of the RT. (2007). “On Investment”. May 12, 2007, #260. Dushanbe: Parliament of the Republic of Tajikistan.
- Law of the RT. (2009). “*On Banking Activity*”, May 19, 2009, #524. Dushanbe: Parliament of the Republic of Tajikistan.
- Lawrence, R. Z. (1997). The world trade and investment system and developing countries. In J.H. Dunning & K.A. Hamdani (Eds.), *The new globalism and developing countries*, (Vol. 944) (pp. 51–77). Tokyo: United Nations University Press.
- Lee, C. H. (2002). The State and Institutions in East Asian Economic Development: The Past and the Future. *The Journal of the Korean Economy*, 3(1), 1-17.
- Lee, S.J. & T. Han. (2006). “The Demise of Korea, Inc.: Paradigm Shift in Korea’s Developmental State.” *Journal of Contemporary Asia*, 36(3), pp. 305–324.
- LSIST. (2013). Living Standard Improvement Strategy of Tajikistan for 2013-2015. Dushanbe: Government of the Republic of Tajikistan.
- Ministry of Economic Development and Trade of the Republic of Tajikistan (MEDT). (2014, February 25). *Adopted Legislative Acts*. Retrieved February 25, 2014, from <http://wto.tj/ru/tj-wto/database/acts/>
- Ministry of Finance of the Republic of Tajikistan (MFRT). (2013). *State Debt*. Retrieved June 12, 2013, from <http://minfin.tj/index.php?do=static&page=gosdolg>

- Mekhtan, S. (2008a). Privatization of the state assets contributes to the growth of the GDP. *Central Asia Online*. Retrieved August 12, 2013, from <http://centralasiaonline.com/ru/articles/caii/features/2008/07/25/feature-01>
- Mekhtan, S. (2008b). Development of Tajikistan's export potential. *Central Asia Online*. Retrieved August 12, 2013, from: [http://centralasiaonline.com/en\\_GB/articles/caii/features/2008/09/25/feature-03](http://centralasiaonline.com/en_GB/articles/caii/features/2008/09/25/feature-03)
- Natsuda, K. (2009). States, Multinational Corporations, and Institutional Arrangements. *Japanese Economy*, 36(3), 96-127.
- Natsuda, K. & Thoburn, J. (2013). How Much Policy Space Still Exists Under the WTO? A Comparative Study of the Automotive Industry in Thailand and Malaysia. *RCAPS Working Paper Series, RPW-1301*. Ritsumeikan Asia Pacific University.
- Natsuda, K. & Thoburn, J. (2014). How Much Policy Space Still Exists Under the WTO? A Comparative Study of the Automotive Industry in Thailand and Malaysia. *Review of International Political Economy*. Retrieved February 16, 2014, from <http://dx.doi.org/10.1080.09692290.2013.878741>
- NDG. (2005). National Development Strategy of the Republic of Tajikistan for the Period of 2005-2015. Government of the Republic of Tajikistan.
- NBT (National Bank of Tajikistan). (2013a). *Banking Statistics Bulletin 2012*. Retrieved August 2, 2013 from [http://nbt.tj/files/statistic/Bulletin\\_12\\_221\\_2013.pdf](http://nbt.tj/files/statistic/Bulletin_12_221_2013.pdf)
- NBT (National Bank of Tajikistan). (2013b). *Macroeconomic Review of the Republic of Tajikistan*. Retrieved August 9, 2013, from [http://nbt.tj/files/Monetary\\_policy/macroek\\_obzor/macro\\_obzor\\_4kv\\_2012\\_En.pdf](http://nbt.tj/files/Monetary_policy/macroek_obzor/macro_obzor_4kv_2012_En.pdf)
- NBT (National Bank of Tajikistan). (2014). *Information on credit institutions operating in the Republic of Tajikistan*. Retrieved March 9, 2014, from [http://nbt.tj/en/banking\\_system/credit\\_org.php](http://nbt.tj/en/banking_system/credit_org.php)
- Okimoto, D. I. (1989). *Between MITI and the market: Japanese industrial policy for high technology*. Stanford: Stanford University Press.
- Onis, Z. (1991). The logic of the Developmental state. *Comparative Politics*, 24(1), 109-126.



- Page, J. (1994). The East Asian miracle: four lessons for development policy. In *NBER Macroeconomics Annual 1994, Volume 9* (pp. 219-282). MIT Press.
- Pomfret, R. (2003). *Central Asia since 1991: the experience of the new independent states* (No. 212). OECD Publishing.
- Pomfret, R. (2007). Lessons from Kyrgyzstan's WTO Experience for Kazakhstan, Tajikistan and Uzbekistan. *Asia-Pacific Trade and Investment Review*, 3(2).
- President of Tajikistan. (2013). History of National Currency. *Official website of the President of the Republic of Tajikistan*. Retrieved September 2, 2013, from <http://www.prezident.tj/en/taxonomy/term/5/27>
- Rodrik, D. (2004). *Industrial policy for the twenty-first century*. Working paper series rwp04-047, Harvard University.
- Rodrik, D. (2006). Goodbye Washington consensus, hello Washington confusion? A review of the World Bank's economic growth in the 1990s: learning from a decade of reform. *Journal of Economic literature*, 44(4), 973–987.
- Rodrik, D. (2008). *One economics, many recipes: globalization, institutions, and economic growth*. Princeton, New Jersey: Princeton University Press.
- Sachs, J. (1999). Helping the world's poorest. *The Economist*, 14, 16–22.
- SCIMSP. & UNDP. (2012). *Analysis of Investment Climate and Investment Attractions into Tajikistan* [Translated by author from Russian]. Dushanbe: State Committee on Investment and Management of the State Property & UNDP.
- Shadlen, K.C. (2005). "Exchanging Development for Market Access? Deep Integration and Industrial Policy under Multilateral and Regional-Bilateral Trade Agreements", *Review of International Political Economy*, 12(5), pp. 750-775.
- Shafaeddin, M. (2006). Is the Industrial Policy Relevant in the 21st Century?. *Munich Personal RePEc Archive (MPRA)*. Retrieved January 19, 2014 from <http://mpa.ub.uni-muenchen.de/6643/>
- Stiglitz, J. E. (1999). More instruments and broader goals: moving toward the post-Washington consensus. *Revista de Economia Política*, 19(1), 94–120.
- Suzuki, M. (2013). 4. Japan's structural reform in the age of economic globalization: the politics of coordination and miscoordination. In H. Magara & S. Sacchi (Eds.), *The Politics of Structural Reforms: Social and*

- Industrial Policy Change in Italy and Japan* (pp. 84–102). Cheltenham: Edward Elgar Publisher Limited.
- The Tax Code of the Republic of Tajikistan. (2012). September 2012. Dushanbe: Parliament of the Republic of Tajikistan.
- Thompson, G. (Ed.). (1998). *Economic dynamism in the Asia-Pacific: the growth of integration and competitiveness* (Vol. 2). New York: Taylor & Francis.
- Turaeva, M. (2012). Lessons from the crises: Economic Policy Mistakes in Tajikistan. *Regional Competence- Building for Think-Tanks in the South Caucasus and Central Asia*. [Translated by David Parker]. Norwegian Institute of International Affairs.
- Umarov, H. & Mukhabbatov, Kh. (2011). “N. Khonaliev: Country without industry is defective”. *Asia Plus*. Retrieved August 22, 2013, from: <http://news.tj/en/node/99147>
- UNCTAD. (2000). *A Positive Agenda for Developing Countries: Issues for Future Trade Negotiations*. New York: United Nations Conference on Trade and Development.
- UNCTAD. (2003). *Dispute Settlement: World Trade Organization 3.13 GATS*. New York & Geneva: United Nations Conference on Trade and Development.
- UNCTAD. (2006). *Trade and Development Report, 2006*. New York: United Nations Conference Trade and Development.
- UNFPA. (2012). *Tajikistan overview*. Retrieved June 27, 2013, from <https://eeca.unfpa.org/webdav/site/eeca/shared/documents/country%20factsheets%202012/Tajikistan%20factsheet.pdf>
- Wade, R. (1988). State intervention in “outward-looking” development: neoclassical theory and Taiwanese practice. In G. White (Ed.), *Developmental States in East Asia* (pp. 30-67). London: Macmillan.
- Wade, R. (1992). East Asia’s Economic Success: conflicting perspectives, partial insight, shaky evidence. *World Politics*, 44(2), 270-320.
- Wade, R. (1993). Managing trade: Taiwan and South Korea as challenges to economics and political science. *Comparative Politics*, 25, 147-167.
- Wade, R. (1996). Japan, the World Bank, and the art of paradigm maintenance: the East Asian miracle in political perspective. *New Left Review*, 217, 3-37.

- Wade, R. H. (2003). What strategies are viable for developing countries today? The World Trade Organization and the shrinking of 'development space'. *Review of international political economy*, 10(4), 621–644.
- Wade, R. (2004). *Governing the market: Economic theory and the role of government in East Asian industrialization*. Princeton, New Jersey: Princeton University Press.
- Walraven, K. (2006). Looking for Facts in the GATS Attack: Impacts on Social Service Sovereignty. *Journal of Public and International Affairs* 17(8), 151-168, Princeton University.
- Weiss, L. (1995). Governed interdependence: Rethinking the government - business relationship in East Asia. *The Pacific Review*, 8(4), 589-616.
- Weiss, L. (2005). Global Governance, National Strategies: How industrialised states make room to move under the WTO. *Review of International Political Economy*, 12(5), 723-749.
- White, G., & Wade, R. (1984). Developmental States in East Asia: 1Editorial Introduction. *IDS Bulletin*, 15(2), 1-3.
- White, G., & Wade, R. (1988). Developmental States and Markets in East Asia: An Introduction. In White, G., & Gray, J. (Eds.). (1988). *Developmental States in East Asia* (pp. 1-29). London: Macmillan.
- Williamson, J. (1990). What Washington means by policy reform. *Latin American adjustment: how much has happened*, 7, 7–20.
- Williamson, J. (2004a). The strange history of the Washington consensus. *Journal of Post Keynesian Economics*, 27(2), 195–206.2
- Williamson, J. (2004b). The Washington Consensus as policy prescription for development. *Development Challenges in the 1990s: Leading Policymakers Speak from Experience*, 31–33.
- Williamson, J. (2009). Short History of the Washington Consensus, A. *Law & Bus. Rev. Am.*, 15, 7.
- World Bank. (1987). *World Development Report 1987*. Oxford: Oxford University Press.
- World Bank. (1993). *The East Asian Miracle: Economic Growth and Public Policy*. New York: Oxford University Press.

- World Bank. (2010). *Tajikistan - Country partnership strategy for the period FY10-FY13*. Washington D.C.: The World Bank. Retrieved June 20, 2013, from <http://documents.worldbank.org/curated/en/2010/04/12204489/tajikistan-country-partnership-strategy-period-fy10-fy13>
- World Bank. (2013a). *Statistics retrieved from World Development Indicators database*.
- World Bank. (2013b). Migration and Remittance Flows: Recent Trends and Outlook, 2013-2016. *Migration and Development Brief*. Retrieved July 13, 2013, from <http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1288990760745/MigrationandDevelopmentBrief21.pdf>
- World Bank. (2014). Tajikistan: Strong Growth, Rising Risks. *Tajikistan Economic Report #5*. Washington D.C.: The World Bank Retrieved April 22, 2014 from [http://www-wds.worldbank.org/external/default/WDSPContentServer/WDSP/IB/2014/04/17/000016351\\_20140417094234/Rendered/PDF/870280WP0Box380Growth00Rising0Risks.pdf](http://www-wds.worldbank.org/external/default/WDSPContentServer/WDSP/IB/2014/04/17/000016351_20140417094234/Rendered/PDF/870280WP0Box380Growth00Rising0Risks.pdf)
- World Energy Council. (2007). *Survey of Energy Resources 2007*. Retrieved August 23, 2013, from [http://www.worldenergy.org/documents/hydro\\_country\\_notes.pdf](http://www.worldenergy.org/documents/hydro_country_notes.pdf)
- World Trade Organization. (2012). *Report of the Working Group on Accession of the Republic of Tajikistan*, WT/ACC/ /TJK/30. Geneva: World Trade Organization.

## APPENDICES

### APPENDIX A1

*Trends of Selected Development Indicators of Tajikistan*

Indicator	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Population total (million)	6.4	6.5	6.6	6.8	6.9	7.1	7.2	7.4	7.6	7.8	8
Population growth (annual %)	1.8	1.94	2.03	2.1	2.16	2.22	2.28	2.33	2.38	2.42	2.45
Life expectancy at birth, total (years)	64.4	64.8	65.2	65.6	65.9	66.3	66.6	66.9	67.2	67.5	--
GNI per capita, PPP (current international \$)	1,020	1,120	1,270	1,370	1,480	1,630	1,780	1,820	1,920	2,060	2,220
GDP (current US\$, million)	1,221	1,554	2,078	2,312	2,830	3,719	5,161	4,978	5,641	6,522	6,986
GDP growth (annual %)	10.8	11	10.3	6.7	7	8	8	3.9	6.5	7.4	8
GDP per capita (current US\$)	190.6	238	311.5	339.4	406.9	523.6	709.4	668.4	739.6	834.5	872.3

Source: World Bank (2013b).

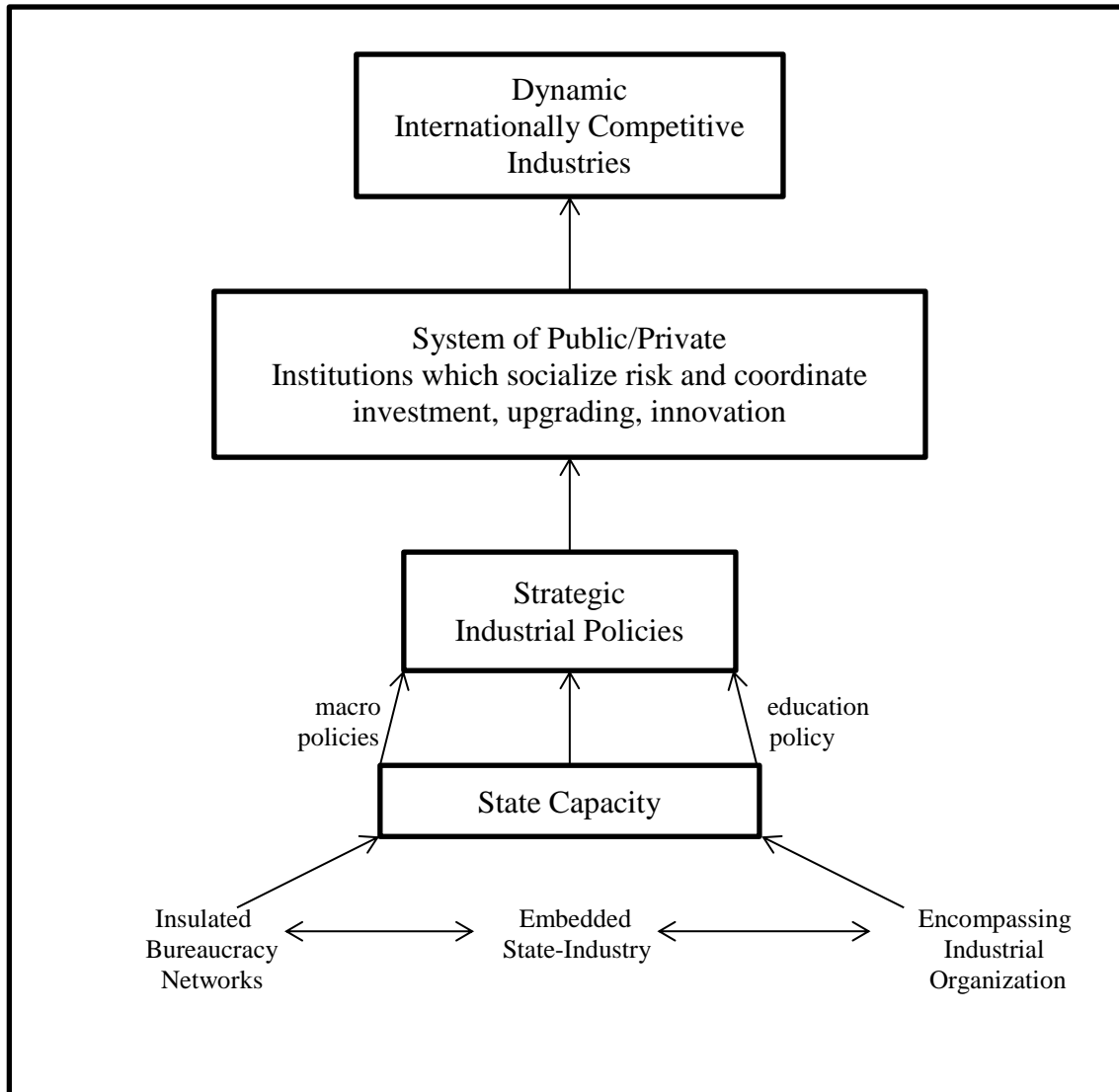
## APPENDIX A2

### *Production of the main industrial products in Tajikistan for the period of 2005-2011*

Name of product	2005	2006	2007	2008	2009	2010	2011
Power transformers (thousand kVA)	63,7	22,5	30,6	27,9	19,0	14,0	11,2
Electricity (billion kWh)	17,1	16,9	17,5	16,1	16,1	16,4	16,4
Cable products by weight of copper	3,5	2,7	3,6	3,6	0,4	-	-
Buses "LAZ" (pcs.)	2	4	3	2	-	-	-
Restaurant cookers (pcs.)	108	131	142	157	125	41	139
Synthetic ammonia (thousand tons)	53,6	43,8	32	29,6	-	-	0,9
Coal (thousand tons)	98,5	104,6	181,4	198,5	178,3	199,7	236,4
Oil, including gas condensate, (thousand tons)	21,7	23,7	25,9	25,8	26,2	27	28,3
Gas (million cubic meter)	29,4	20	17,4	16,1	19,9	22,8	18,5
Cement (thousand tons)	253,1	281,5	313,1	190,4	195	288,2	299,4
Wall materials (million pcs.)	45,9	47,1	49,3	49,4	54,7	70,9	57,2
Cotton (thousand tons)	153,3	134,8	153,2	115,7	92,2	95,2	103,4
Cotton seeds (thousand tons)	264,9	237	267,2	203,1	159,9	161,6	170,2
Raw silk yarn (tons)	158,1	77,8	81,7	42,3	27,4	19	22,7
Cotton yarn (thousand tons)	15,02	14,6	12,7	9,6	8,2	6,1	7,04
Wool yarn (tons)	470	377	342	100,2	74	101	126
Cotton fabrics (ten thousand <sup>2</sup> meter)	24,15	21,1	26,1	27,7	36,5	25,5	21,3
Silk fabrics (thousand <sup>2</sup> meter)	3,8	20,2	28,1	60	60	66	66,1
Carpet productions (thousand <sup>2</sup> meter)	458,9	626,4	941,7	764,9	548,6	558,2	656,8
Hosiery (thousand pairs)	5900	6147	6243	5462	5658	5735	6098
Jerseys (thousand pcs.)	1095	128	112,2	46	37	-	21
Footwear (thousand pairs)	33,2	29,5	38,4	37,5	30,8	34,8	65,9
Meat, including offal (thousand tons)	19,5	20,2	21,3	21,7	24,9	27,1	27,6
Milk production (tons)	4729	3936	5108	3857	3987	4056	4444
Vegetable oil (thousand tons)	23	20	23,7	17,3	13,1	14,1	15,1
Meats (tons)	483	537	592	803	820	998	1611
Animal fat (tons)	88	14	5,4	7,5	18,5	20,9	16,5
Canned food (million cans)	77,8	95,1	67,2	76,4	83	51	60

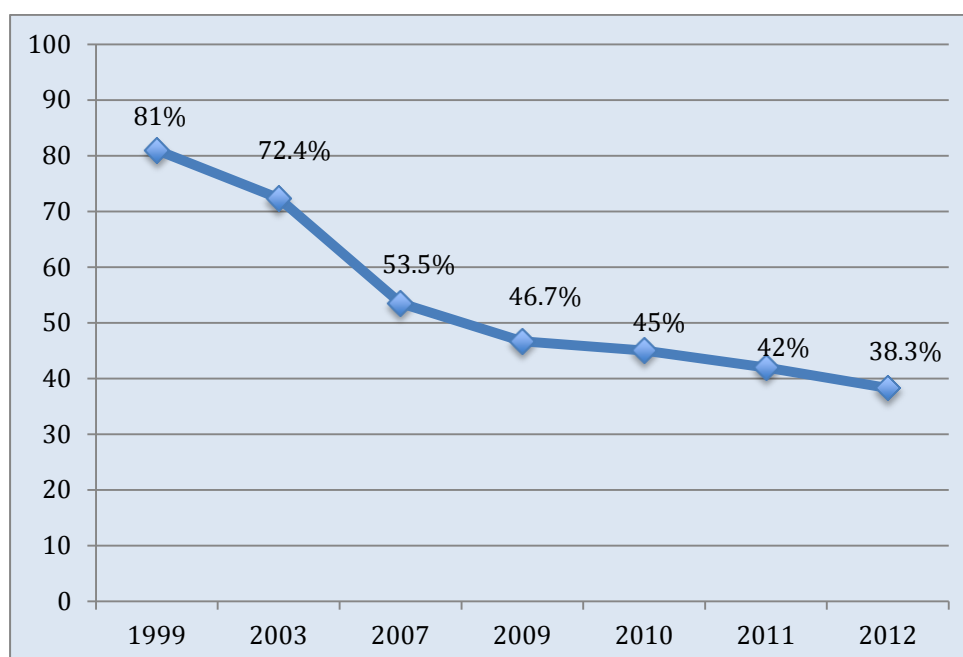
*Source:* ASUPRT (2012a), "Regions of Tajikistan 2012".

## APPENDIX B1



Governed interdependence theory (explaining East Asian Development). Adapted from “Governed interdependence: rethinking the government-business relationship in East Asia,” by Weiss, L., 1995, *The Pacific Review*, 8, p. 595.

## APPENDIX B2

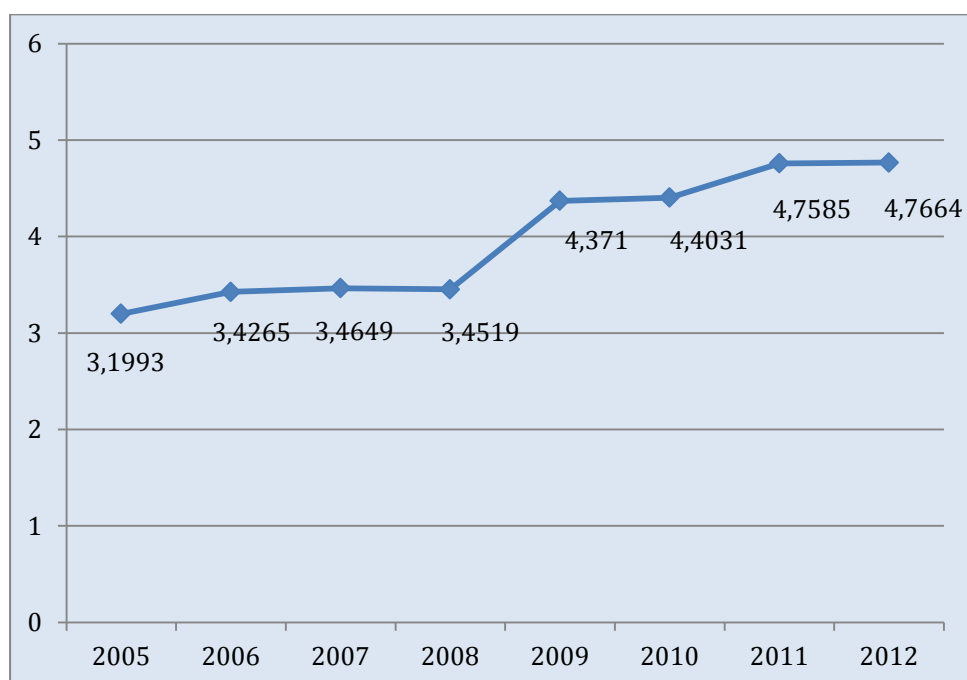


Trends of poverty reduction, 1999-2012

Source: LSIST (2013).



## APPENDIX B3



Trends of depreciation of TJS against USD

Source: NBT (2013a). Compiled by the researcher.